Gartmore Fledgling Trust plc

Report and Accounts for the period to 31 August 2010

www.gartmorefledglingtrust.co.uk

Gartmore

Contents

Investment Objective

Gartmore Fledgling Trust plc (the Company) seeks long-term growth in capital and dividends from investment predominantly in the constituents of the FTSE Fledgling (ex. Investment Companies) Index (the Fledgling Index).

Investment Policy

The Company is managed using a hybrid investment style. At least 65% of the portfolio passively replicates the FTSE Fledgling (ex. Investment Companies) Index. An active overlay is then applied to up to 35% of portfolio value, including a maximum of 20% invested in AIM listed companies that meet the Fledgling Index market capitalisation criteria and were formerly traded on the Official List. The active overlay takes the form of overweighting holdings in those companies that are strongly favoured by the Manager's investment process, and/or where directors have recently purchased their own shares. Conversely, constituents of the Fledgling Index which are not highly-rated by the Manager or which are considered unlikely to remain solvent on a one year view are excluded from the portfolio.

This dual approach is seen as the most practicable way of obtaining exposure to the anticipated long-term outperformance of the Fledgling Index. It offers a widely diversified portfolio, similar in structure to that of the Fledgling Index. The active overlay is intended to help the Company to perform approximately in line with its benchmark over longer periods, by adding value to try to offset the sometimes significant quarterly rebalancing costs.

Benchmark Index

The Company's benchmark is the FTSE Fledgling (ex. Investment Companies) Index. The Fledgling Index was established by the FTSE Actuaries UK Indices Committee as part of their range of indices measuring the performance of UK equities.

As at 31 August 2010, the Fledgling Index comprised 103 companies listed on the London Stock Exchange. Together, these companies represented the smallest 0.14% of the UK equity market by market capitalisation. Historically, the Fledgling Index was fully rebalanced annually during December, and partially during the final month of each other quarter. Following a change to the primary rebalancing date from December to June, the first full rebalancing since December 2008 was carried out in June 2010. At that time, the cut-off between the FTSE All-Share Index and FTSE Fledgling Index (ex Investment Companies) was approximately £53 million, implying exits to the FTSE All-Share at approximately £61 million and new entrants at around £45 million.

Net Assets and Equity Shareholders' Funds

£84,996,000 at 31 August 2010

Market Capitalisation of Ordinary Shares

£70,845,000 at 31 August 2010

Management Company

The Company's investments are managed by Gartmore Investment Limited under an Agreement that provides for six months' notice of termination given by either party.

Management Fee

The management fee, which is payable monthly in arrear, is calculated at a rate of 0.8% per annum on the aggregate value of the Company's net assets and borrowings up to £75.0 million, and 0.5% per annum thereafter.

Capital Structure & Voting Rights

The Company is an investment trust company with an issued share capital at 31 August 2010 comprising 18,594,580 Ordinary shares of 25p each. Ordinary shareholders are entitled on a poll at a general meeting to one vote in respect of each share held.

Continuation Vote

An Ordinary Resolution will be proposed at each Annual General Meeting of the Company that the Company shall continue to operate as an investment trust company. If such resolution is not passed and alternative proposals for the unitisation or the reconstruction of the Company are not approved, the Company will be wound-up.

ISA Status

For the tax year 2010/11, the maximum permitted investment through an ISA is £10,200.

Overview
of the 14-month period to 31 August 2010

- Net Asset Value total return of 24.3%* over the 14-month period to 31 August 2010, compared with a total return of 19.1% from the FTSE Fledgling (ex. Investment Companies) Index. The performance of the active investment portfolio more than offset considerable portfolio rebalancing costs during the period.
- Over the ten-year period to 31 August 2010, the Company's net assets have delivered a compound annual return of 9.0%, compared with a compound annual return of 1.6% from the FTSE All-Share Index.
- The Company's performance ranked 1st in The Association of Investment Companies UK Smaller Companies universe over the ten-year period to 31 August 2010.
- The Board is recommending a final dividend of 4.0 pence per Ordinary share which, when added to the interim dividend of 3.5 pence, makes a total of 7.5 pence, unchanged from the total dividend for the previous year, excluding last year's one-off special dividend of 2.6 pence.
- Fledgling companies remain more attractive than their larger counterparts. Key attractions include:
  - Lower relative valuation ratios of price-to-sales (Fledgling companies are, on average, valued at less than one third of their FTSE All-Share counterparts) and price-to-book value which is approximately one half.
  - Stronger balance sheets (the debt-to-equity ratio for Fledgling companies averages 25%, compared with 47% for their FTSE All-Share counterparts);
  - Directors demonstrating confidence in their own businesses (director share purchases were nine times greater than share sales during the period);
  - Long history of being acquired at good premiums to market prices.

* On a mid-market basis to give the fairest comparison

The Board of Directors

The Board is currently comprised of six non-executive Directors, all of whom are independent of the Company and the Manager.

Jimmy West *Chairman*

Length of Service: Appointed a director on 24 November 1994

Experience: A chartered accountant with a wealth of experience of public and private companies covering a broad range of business activities including financial services, industry and commerce. He is a former managing director of Lazard Brothers & Co Limited and chief executive of Lazard Asset Management Limited. He was previously managing director of Globe Investment Trust plc.

Current Appointments: Non-executive chairman of New City High Yield Fund Limited and Canaccord Genuity Limited. He is also a non-executive director of British Assets Trust plc, JPMorgan Income & Capital Trust PLC, Shires Smaller Companies plc and UK Select Trust plc.

Other connections with Trust or Manager: None

Shareholding in Company: 18,000 Ordinary shares

John Hancox *Senior Independent Director and Chairman of the Remuneration Committee*

Length of Service: Appointed a director on 3 August 1998

Experience: A chartered accountant with broad industrial and commercial experience. He is a former managing director of Charterhouse Tilney Securities Limited. He has also served as a non-executive director and chairman of a number of listed and unlisted companies. He holds an MA in Economics from Cambridge University.

Current Appointments: Non-executive chairman of Lowland Investment Company plc and a non-executive director of a number of private companies.

Other connections with Trust or Manager: None

Shareholding in Company: 60,000 Ordinary shares

James Kerr-Muir *Chairman of the Audit Committee*

Length of Service: Appointed a director on 25 November 1994

Experience: He is a former group finance director of Kingfisher plc. Prior to that, he was with Tate & Lyle PLC where he held the position of managing director UK division. He has also served as a non-executive director of a number of companies including Birmingham Midshires Building Society, Hardys & Hansons plc and Senior plc. He holds a BA in Law from Oxford University and an MBA from Harvard Business School.

Current Appointments: Non-executive chairman of Davenham Group plc.

Other connections with Trust or Manager: None

Shareholding in Company: 16,000 Ordinary shares

Mr Kerr-Muir will retire as a Director of the Company at the conclusion of the Annual General Meeting on 1 December 2010.

The Board of Directors

Rod Birkett

Length of Service: Appointed a director on 1 August 2008

Experience: He began his career at stockbrokers Vickers da Costa in 1983 before moving to SG Warburg. In 1991, he joined Robert Fleming as a senior fund manager, Japanese equities and was subsequently appointed head of the firm's closed end funds business. He was joint head of Japanese equities at Thames River Capital from 2002 to 2006. He served as an executive committee member of The Association of Investment Companies between 2000 and 2002.

Current Appointments: Executive director of Trust Associates Limited.

Other connections with Trust or Manager: None

Shareholding in Company: 4,000

Peter Dicks

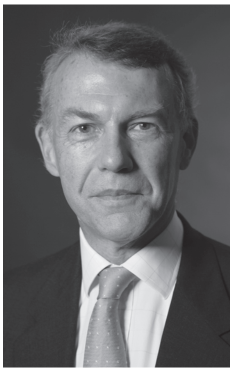
Length of Service: Appointed a director on 30 November 1999

Experience: Began his career at stockbrokers Joseph Sebag & Co in 1964. In 1973, he co-founded Abingworth plc, a venture capital company which focused on investment in unquoted technology-based companies in the United States of America.

Current Appointments: Non-executive chairman of Capital Accumulation Limited, Private Equity Investor PLC, Sportingbet Plc, SVM UK Emerging Fund plc and Unicorn AIM VCT plc. He is also a non-executive director of Daniel Stewart Securities plc, Foresight VCT plc, Foresight 2 VCT plc, Foresight 3 VCT plc, Foresight 4 VCT plc, Graphite Enterprise Trust PLC, Mears Group PLC, Polar Capital Technology Trust PLC and Standard Microsystems Corporation, a NASDAQ quoted company incorporated in the United States of America.

Other connections with Trust or Manager: None

Shareholding in Company: 15,000



Robert Jeens

Length of Service: Appointed a director on 1 September 2010

Experience: He is a chartered accountant and a former audit partner at Touche Ross & Co. and has extensive experience in the investment and financial services industry. He is a former finance director of Woolwich plc and Kleinwort Benson Group plc and has also served as a non-executive director of a number of companies including Dialight plc, nCipher plc and Hepworth plc.

Current Appointments: Non-executive director of Henderson Group plc and The Royal London Mutual Insurance Society Limited, where he also serves as chairman of their audit committees. He is also a non-executive director of T R European Growth Trust PLC and a number of private companies.

Other connections with Trust or Manager: None

Shareholding in Company: Nil

Chairman's Statement

Jimmy West (Chairman)

As previously reported, following FTSE Group's decision to move the primary rebalancing date of its indices from December to June, the Company changed its accounting reference date to 31 August, from 30 June, to ensure that the portfolio of investments at the Company's year-end reflects the effects of changes to the Fledgling Index and is free from distortion by transactions related to the annual rebalancing.

I am pleased to present the Annual Report and Accounts of Gartmore Fledgling Trust plc covering the 14-month period to 31 August 2010.

Performance

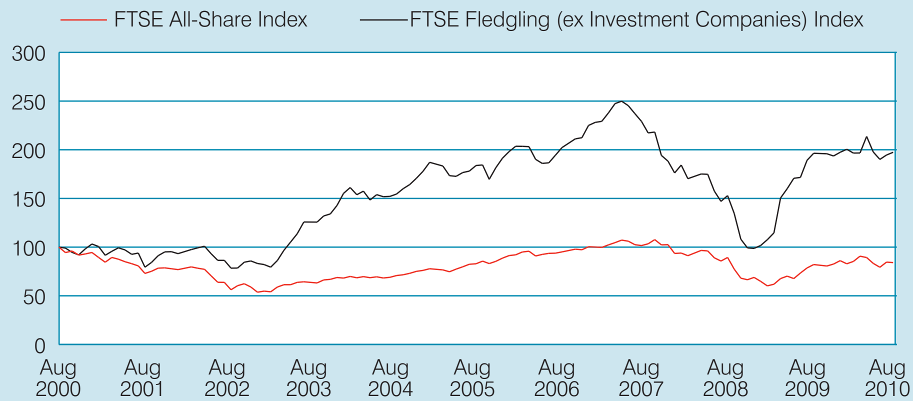
Over the 14-month period, the Company's assets delivered a net asset value total return of 24.3%, compared with a total return of 19.1% from the Fledgling Index and 29.2% from the FTSE All-Share Index. Over the same period, the price of the Company's Ordinary shares rose by 20.6%. The Company's net asset value performance relative to its benchmark is very pleasing, particularly given the significant larger than usual dealing costs associated with the index rebalancing in December 2009 and June 2010, and is attributable to strong returns from the Company's active investment portfolio.

Historically, we have reported the Company's net asset value performance on a capital only basis. However, our recent meetings with major shareholders have highlighted that they consider net asset value total return performance as a more appropriate measure of the Company's performance. Therefore, in this and future reports, we will be reporting the Company's net asset value performance on a total return basis.

Most of the Fledgling Index return over the reporting period occurred in the final six months of 2009, with returns flat since the beginning of 2010, causing the Fledgling Index to underperform against other major UK equity indices. However, if the two-year period to 31 August 2010 is considered, then the Fledgling Index delivered a total return of 37.2%, which is significantly better than the other UK equity indices.

Over the ten years to 31 August 2010, the performance of the Fledgling Index remains ahead of the FTSE All-Share Index, having delivered a total return of 155.0%, representing a compound annual return of 9.8%, compared with a total return of 17.1% and compound annual return of 1.6% from the FTSE All-Share Index. The Company was formed to capture the long-term outperformance of the Fledgling asset class and in this it remains successful.

FTSE Fledgling (ex. Investment Companies) Index versus FTSE All Share Index



Source: Thomson Datastream. Capital returns rebased to 100.

Discount and Share Buybacks

The discount at which the Company's Ordinary shares trade relative to their bid-priced Net Asset Value (including current year revenue) widened marginally, from 16.1% at 30 June 2009, to 16.6% at 31 August 2010. This compares with the average discount for the UK Smaller Companies sector which, over the same period, widened from 13.8% to 15.8%.

During the period to 31 August 2010, the Company repurchased 321,500 Ordinary shares, at an average price of 363.6 pence per share and a weighted average discount of 16.4%. Over the 14-month period to 31 August 2010, the Ordinary shares have traded at a discount ranging between 10.0% and 22.2%, compared with a range of 13.1% and 18.7% for the UK Small Companies sector.

Since the end of the financial year, the Company has bought back a further 653,000 Ordinary shares at an average price of 385.8 pence per share and a weighted average discount of 16.5%. The share price discount currently stands at around 11%.

The Board continues to monitor the level of the Company's discount with that of its peer group and will continue to use the Company's share buyback powers when appropriate.

Revenue and Dividends

The revenue return for the period to 31 August 2010 was 7.02 pence per Ordinary share, compared with 6.91 pence for the previous year. The comparative figure excludes the non-recurring repayment of VAT on past management fees (and related interest) of 4.63 pence.

Your Board is pleased to recommend a final dividend of 4.0 pence per share which, subject to approval by shareholders, will be paid on 8 December 2010 to shareholders on the register at the close of business on 12 November 2010. Taken together with the interim dividend of 3.5 pence per share paid in March, the total dividend will amount to 7.5 pence per share, unchanged from the previous year, excluding last year's one-off special dividend of 2.6 pence.

The Manager

I welcome Adam McConkey, who joins Harmesh Suniara as co-manager of the Company's portfolio. Adam is the newly-appointed head of Gartmore's UK smaller companies team and has over eleven years' investment industry experience. He joined Gartmore in 2000 from the Co-operative Insurance Society where he worked as a European analyst on Life and Pension funds, and on the construction of the CIS European Growth Unit Trust. This appointment follows Gervais Williams' decision to leave Gartmore at the end of September. We thank Gervais for his valuable contribution to the performance of the Company over the last nine years.

Board Changes

During the year we continued the process of refreshing the Board. I am delighted to welcome Robert Jeens, who joined the Board on 1 September 2010. Robert has a wealth of investment experience and knowledge which will complement the balance of the Board.

Having served as a Director of your Company since its formation in December 1994, and as Chairman of the Audit Committee since 2004, James Kerr-Muir will step down from the Board at the conclusion of the forthcoming Annual General Meeting. I would like to thank him for his loyal service and contribution to the Company's success over the past 16 years.

Robert Jeens will succeed James as Chairman of the Audit Committee.

Annual General Meeting (AGM)

The Notice of Annual General Meeting can be found on pages 59 to 62. The Directors recommend that shareholders vote in favour of all of the proposed resolutions, as they intend to do in respect of their own beneficial holdings. Following the formal business of the meeting, Harmesh Suniara will give a short presentation on the fund and its prospects for the forthcoming year. The meeting will be followed by a buffet lunch, providing shareholders with an opportunity to meet the Board and management team.

Details of all resolutions are contained in the Report of the Directors on pages 27 to 29. Among the items of special business are the following:

Continuation Vote

Pursuant to the Company's Articles of Association, an ordinary resolution will once again be proposed at the AGM to the effect that the Company should continue in operation as an investment trust company. This continuation vote is important to shareholders as it allows them to decide whether or not the Company should continue in existence.

Your Board believes that the Company's investment approach will continue to deliver the excellent long-term relative returns experienced in the past. It also considers that the Company provides a unique vehicle for investors to take advantage of the long-term outperformance of the Fledgling area of the stock market.

Articles of Association

The Board proposes to adopt new articles of association primarily to reflect the implementation of the Shareholder Rights Directive in the UK in August 2009 and the remaining provisions of the Companies Act 2006 in October 2009. An explanation of the main changes between the proposed and the new articles of association is set out in the Appendix to the Notice of Annual General Meeting on pages 63 and 64.

Outlook

The Company's investment approach continues to provide investors with a unique opportunity to access a portfolio of companies offering compelling value and potential upside. Despite its strong performance in 2009 following the sharp fall in valuations during the credit crisis, the relative attractions of the Fledgling sector remain undiminished. In particular, the price-to-book value measure of the Fledgling sector is, on average, some 40% lower than that of the FTSE All-Share, while Fledgling companies, on average, have about half the level of debt-to-equity as their FTSE All-Share counterparts. The dividend yield on the Fledgling Index is also higher than the FTSE All-Share and the Company will be increasing its focus on improving its dividend payout.

The annual and quarterly rebalancing process refreshes the constituents within the portfolio, providing attractive investment opportunities whilst allowing the Company to exit those holdings that have delivered strong returns. More recently there has been increased institutional buying interest in mid-sized Fledgling companies, a factor which has been absent in recent years. This confirms the Company's confidence in its policy to buy-back shares and should help the shares to trade at a narrower discount to net asset value. Although, by historic standards, the number of takeovers was low during the reporting period, we expect takeover activity to be a significant feature. We would also expect the valuation discrepancy between Fledgling companies and their FTSE All-Share counterparts to narrow, while corporate actions at very attractive discounts provide further growth opportunities. The percentage of Fledgling company overseas sales has also risen to 40%, from 21%, which we consider a positive development, as it provides the sector with greater exposure to higher growth economies.

Chairman's Statement

The Fledgling Index has outperformed the FTSE All-Share Index over both long and short-term horizons such that the Company has been handsomely rewarded for holding a portfolio of companies with much smaller market capitalisations, even though this has been perceived as higher risk. Furthermore, the active overlay has been successful in more than offsetting the rebalancing costs and providing additional returns ahead of the benchmark.

Jimmy West
Chairman

28 October 2010

The Manager

Harmesh Suniara

Adam McConkey

Gartmore Investment Limited is the Investment Manager and Secretary of the Company.

Gartmore Investment Limited is a subsidiary of Gartmore Investment Management Limited, whose ultimate parent company is Gartmore Group Limited, a Cayman registered company listed on the main market of the London Stock Exchange.

Gartmore has been managing clients' investments for more than 40 years. Gartmore's investment specialists are concentrated in small, dedicated teams. Within these specialised units investment professionals have wide discretion, within an overarching risk framework, to follow their own views, implement decisions that best suit their particular areas of expertise and to add value through their own flair and individual skill.

The day-to-day management of the Company's portfolio is carried out jointly by Harmesh Suniara and Adam McConkey, supported by Gartmore's UK smaller companies team, one of the leading teams of smaller company investment managers in the industry.

Harmesh Suniara joined Gartmore in 2007 as an investment analyst on the UK smaller companies team and has been involved in the management of Gartmore Fledgling Trust since early 2008. He has eleven years' experience as a research analyst in the UK Small and Midcap sectors. He began his career trading derivatives on LIFFE before joining Williams de Broë in 1996 as an equities analyst. In 2004 he moved to KBC Peel Hunt. He graduated from Cambridge University in 1993 having read Physics and Theoretical Physics.

Adam McConkey is head of Gartmore's award-winning UK smaller companies team and has over eleven years' investment industry experience. He joined Gartmore in 2000 from the Co-operative Insurance Society where he worked as a European analyst on Life and Pension funds, and on the construction of the CIS European Growth Unit Trust. He has lectured in European Politics and Political Economy at Liverpool University as well as a number of US universities and has a PhD in International Relations from Loughborough University.

At their regular meetings, the Directors and the Manager's representatives review the Company's activities and performance, and determine investment strategy.

Gartmore Investment Limited is authorised and regulated by the Financial Services Authority.

Performance Attribution

Over the 14-month period to 31 August 2010, the Net Asset Value per Ordinary share (including undistributed revenue) increased by 21.3%, compared with an increase of 15.7% in the Benchmark index, representing relative* outperformance of 4.8%. The following analysis summarises the factors which contributed to the Company's relative performance.

Portfolio Performance (bid basis)		+22.1%
Performance of the Benchmark (mid basis)		+15.7%
Portfolio relative outperformance		+5.5%
Other Factors		
Revenue return	+1.6%	
Equity dividends paid	-2.3%	
		-0.7%
Net Asset Value relative outperformance		+4.8%

*Calculated from the relative period-end positions of the Company and its benchmark starting from a base position of 100.

Investment Policy

The Company is managed using a hybrid investment style. For the most part, a policy of broad indexation of the Fledgling Index is adopted. An active overlay is then applied to up to a maximum of 35% of the portfolio. However, the Directors intend that no more than 30% of the Company's assets would normally be allocated to the active overlay. This overlay takes the form of overweighting and/or underweighting holdings in:

- Fledgling Index companies; and/or
- AIM-traded companies which were formerly admitted to trading on the Official List and which meet the Fledgling Index market capitalisation criteria (as at the time of investment)

that are strongly favoured and/or less favoured by Gartmore's active investment process, and/or where directors have recently purchased or sold their own shares. The Company will not invest more than 20% of the Company's assets (as at the time of investment) in AIM-traded stocks which were formerly admitted to trading on the Official List. However, it is the Directors' intention that no more than 15% of the Company's assets (as at the time of investment) would normally be invested in such stocks.

Companies which meet the investment criteria above but which are considered unlikely to remain solvent on a one-year view will be excluded from the portfolio.

Performance

The following tables show the performance of the Company's portfolio relative to its benchmark over various periods, based upon mid-market priced portfolio valuations to give the fairest comparison. Over the 14-month period to 31 August 2010, the portfolio outperformed the Fledgling Index by 6.2% on a capital basis and by 4.3% on a total return basis.

(a) Capital Return

	Gartmore Fledgling Trust: Net Assets per Share Capital Return %	Benchmark Capital Return %	Relative Performance* %
Year to 30 June 2006	+6.1	+5.4	+0.7
Year to 30 June 2007	+29.2	+31.9	-2.0
Year to 30 June 2008	-35.4	-35.8	+0.6
Year to 30 June 2009	+8.5	+8.4	+0.1
Fourteen months to 31 August 2010	+22.8	+15.7	+6.2
Six months to 31 December 2009	+21.7	+15.7	+5.2
Eight months to 31 August 2010	+0.9	–	+0.9
Five years to 31 August 2010 #	+3.7 p.a.	+2.9 p.a.	+0.7 p.a.
Ten years to 31 August 2010 #	+8.4 p.a.	+7.9 p.a.	+0.5 p.a.

Sources: Gartmore, Thomson Datastream.

* Relative performances are calculated as compound relatives and are based on more decimal places than shown.

Annualised.

(b) Total Return

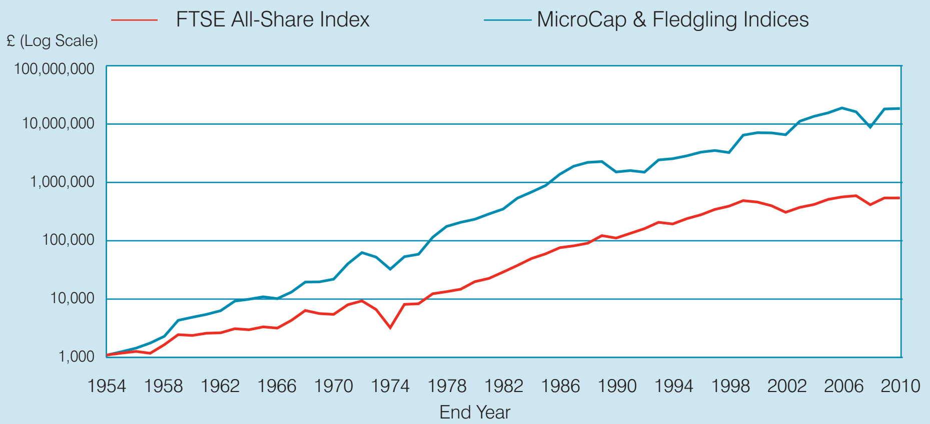
	Gartmore Fledgling Trust: Net Assets per Share Total Return %	Benchmark Total Return %	Relative Performance* %
Year to 30 June 2006	+7.0	+7.4	-0.4
Year to 30 June 2007	+30.2	+34.3	-3.0
Year to 30 June 2008	-34.0	-33.8	-0.3
Year to 30 June 2009	+11.2	+12.3	-1.0
Fourteen months to 31 August 2010	+24.3	+19.1	+4.3
Six months to 31 December 2009	+22.2	+17.1	+4.4
Eight months to 31 August 2010	+1.7	+1.8	-0.1
Five Years to 31 August 2010 #	+3.6 p.a.	+4.1 p.a.	-0.5 p.a.
Ten Years to 31 August 2010 #	+9.0 p.a.	+9.8 p.a.	-0.7 p.a.

Sources: Gartmore, Thomson Datastream.

* Relative performances are calculated as compound relatives and based on more decimal places than shown.

Annualised.

Over the very long term, the Fledgling segment of the market has significantly outperformed the FTSE All-Share Index. The period from 1 January 1955 to 31 August 2010 saw the market's smallest capitalised stocks, as represented by the MicroCap and Fledgling indices, deliver an annualised rate of return of 19.2%, compared with an annualised return of 11.9% from the FTSE All-Share Index. Retail price inflation was 5.6% per annum over the same period, implying a real return of more than 13% per annum for the Fledgling sector.



Sources: MicroCap Index: Professors Elroy Dimson and Paul Marsh, London Business School.
FTSE Fledgling (ex. Investment Companies) Index & FTSE All-Share Index: Thomson Datastream.
All figures with gross income re-invested.

Performance versus Competitor Companies

As a result of stronger performances from the FTSE SmallCap Index, FTSE 250 Index and the FTSE AIM All-Share Index over the 14-month period to 31 August 2010, the Company's shorter term performance has suffered within its competitor universe. However, over the longer term, the Company remains a strong performer. Over the ten-year period to 31 August 2010, the Company was ranked first in its universe, outperforming the sector average by 7.6% per annum.

Periods to 31 August 2010	Gartmore Fledgling Trust NAV Total Return %	AIC UK Smaller Companies Sector Size Weighted Average Return %	Ranking in Sector
One year	+9.2	+14.0	10/13
Three years	-3.0	-15.1	5/13
Five years	+20.5	+16.6	9/13
Ten years	+141.2	+16.4	1/13

Source: Fundamental Data Limited on behalf of the Association of Investment Companies.
All returns shown on unannualised bid-to-bid NAV total return (including income) basis.

Rebalancing

The nature of the Fledgling Index is that its constituent companies are smaller than those of the FTSE All-Share Index, with no gap between, or overlap in, the two indices' constituents. The FTSE Actuaries Equity Indices Committee undertakes a full annual review in June (previously December), when a 'threshold' market capitalisation is set to divide the two indices. This was set at approximately £53 million in June 2010, compared with £35 million in December 2008.

The annual rebalance in June 2010 was more evenly matched than expected and resulted in a turnover of approximately 17.6% by value of the Fledgling Index for new entrants and a similar amount for exits. Post the annual rebalance the Company's portfolio requires further rebalancing, given the objective is to broadly match the make-up of the Index, albeit with a somewhat greater degree of active flexibility. Such a large proportion of turnover leads inevitably to the dealing costs that the active overlay policy is designed to mitigate.

Portfolio Construction
(a) Summary Risk Statistics

The number of individual investments held in the portfolio decreased over the 14-month period, from 120 as at 30 June 2009 to 104 as at 31 August 2010. Over the same period, the number of companies in the Fledgling Index fell from 122 to 103. The portfolio remains widely diversified over the Fledgling area of the market, with an overlap between the investment portfolio and the index of 96 companies.

The following table summarises the risk characteristics of the portfolio. The key summary statistics are the tracking error of 3.1% against the Fledgling Index and the information ratio of 2.0x. The tracking error estimates the typical range in performance around the index that might be expected in two out of three years. This number is marginally higher than the 2.8% recorded at 30 June 2009, but we consider it remains at a reasonable level, particularly given the greater active component of the portfolio and the relative illiquidity of the Fledgling market. The information ratio is a measure of the return achieved relative to the risk taken. Over the 14-month period to 31 August 2010, the information ratio was 2.0x. The higher ratio reflects the portfolio's significant outperformance of the benchmark over the 14-month period, which was achieved without increasing significantly the level of risk. Further explanation of these terms can be found in the Glossary of Terms on the inside back cover of this Report.

	Gartmore Fledgling Trust	FTSE Fledgling (ex. Investment Companies) Index	Portfolio & Index Overlap
Number of Companies	104 (120)	103 (122)	96 (110)
Tracking Error	3.1% (2.8%)		
Information Ratio	2.0x (0.0x)		
Beta	1.0 (1.0)	1.0 (1.0)	

Source: Barra.
Comparative statistics as at 30 June 2009 are shown in brackets.

(b) Sector Weightings

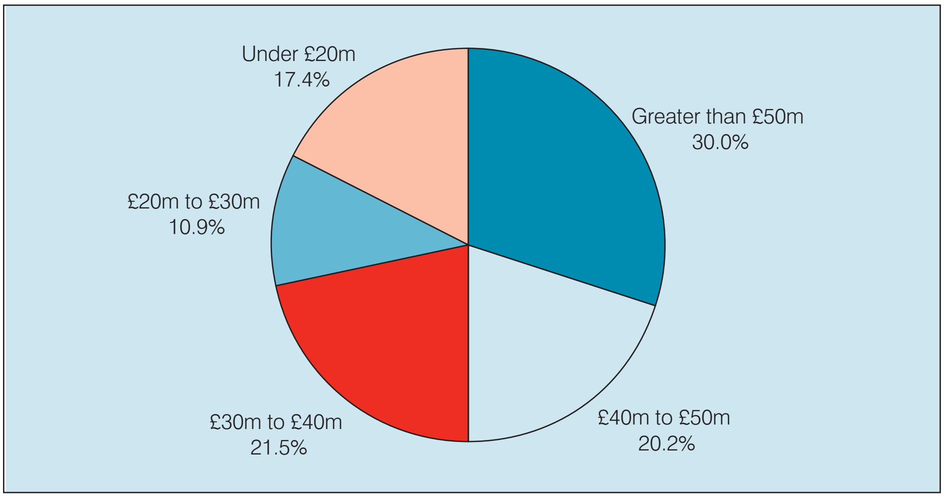
The portfolio's sector positions are broadly similar to those of the benchmark as befits a predominantly index tracking approach. The table on page 19 shows the portfolio's weightings against the benchmark index as at 31 August 2010.

Characteristics of the FTSE Fledgling (ex. Investment Companies) Index

The Fledgling Index differs from larger company indices such as the FTSE All-Share Index and the FTSE 100 Index. In particular, the Fledgling Index has a significantly different industry distribution and different style biases.

(a) Distribution by Market Capitalisation

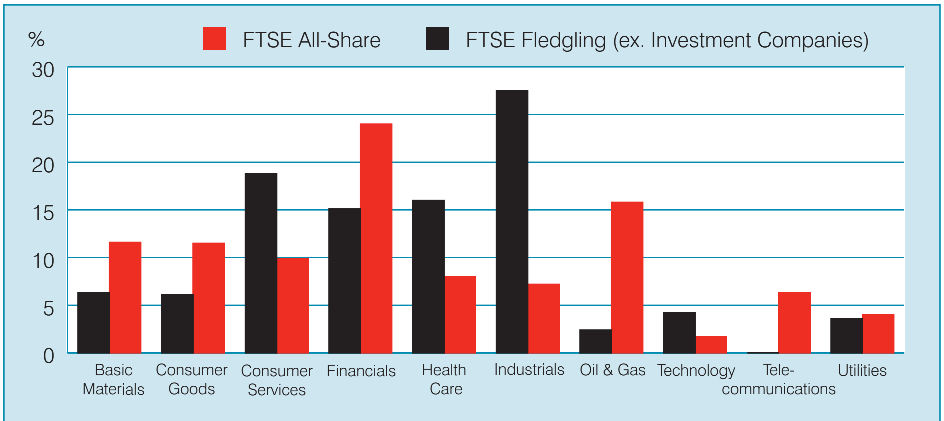
The Fledgling Index represents the smallest listed companies on the London Stock Exchange that are not included in the FTSE All-Share (ex. Investment Companies) Index. The following chart shows the distribution of the constituents of the Fledgling Index by market capitalisation as at 31 August 2010.



(b) Sector Distribution

The Fledgling Index has significantly different sector weightings, compared with the FTSE All-Share Index. In particular, industrials (particularly support services) and technology are strongly represented. Conversely, the Fledgling Index currently has no exposure to telecommunications and is underweight oil & gas and financials (notably banks).

Industry Group Weightings of the FTSE Fledgling (ex. Investment Companies) Index and the FTSE All-Share Index



Source: Factset. Data as at 31 August 2010.

(c) Valuation

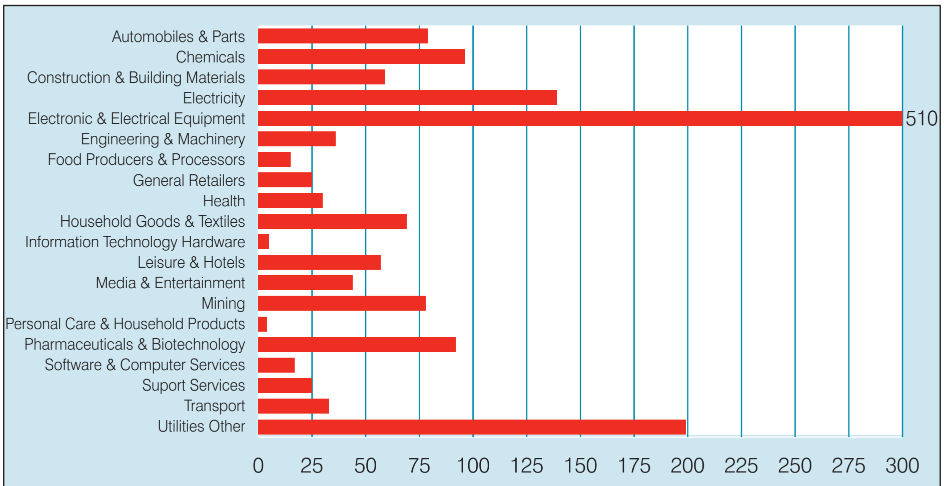
The constituent companies of the Fledgling Index continue to be valued significantly more cheaply than those of the FTSE All-Share Index using the price-to-sales and price-to-book value measures. For example, Fledgling companies, on average, are currently priced below their book value and are valued at a 41% discount to FTSE All-Share Index companies using the price-to-book value measure. In terms of the price/earnings ratio, the Fledgling Index increased over the 14-month period and is now higher than the FTSE All-Share Index, indicating better prospects for profits growth in the Fledgling sector.

A combination of factors led to a significant fall in the dividend yield of the Fledgling Index over the 14-month period. Although the drop was caused primarily by higher-yielding stocks leaving the index at the annual and quarterly rebalancings during the period, it has also been impacted by the significant rise in the index, and in some cases Fledgling companies have cut or cancelled their dividends.

Valuation Measures at 31 August 2010	FTSE Fledgling (ex. Investment Companies) Index	FTSE All-Share Index	Relative
Price / Sales Ratio	0.4x (0.3x)	1.3x (1.1x)	0.28 (0.30)
Price / Book Value Ratio	1.0x (0.5x)	1.7x (1.5x)	0.59 (0.33)
Price / Earnings Ratio	14.0x (10.7x)	9.3x (11.1x)	1.51 (0.96)
Historic Dividend Yield	4.1% (9.5%)	3.4% (4.6%)	1.22 (2.07)
Dividend Cover	2.2x (2.2x)	2.6x (2.0x)	

Notes: Price/Sales Ratio is calculated as Enterprise Value (market capitalisation plus net debt) to Sales. (Source: UBS)
Price/Book Value Ratio excludes negative earners. (Source: UBS)
Price / Earnings Ratio shown is 2010 forecast and excludes negative earners. (Source: UBS)
Dividend Yield is shown net. (Source: Thomson Datastream)
Dividend cover is only in respect of companies actually paying a dividend. (Source: UBS)
Comparative valuation measures as at 30 June 2009 are shown in brackets.

Sector Price-to-Sales Value Ratios of the FTSE Fledgling (ex. Investment Companies) Index relative to the FTSE All-Share Index



Source: UBS Warburg. Data as at 31 August 2010.

The chart shows the price-to-sales ratio of all-non-financial Fledgling sectors relative to their respective FTSE All-Share Index sectors. Figures below 100 indicate sectors of the Fledgling Index which are relatively cheap when compared against the respective FTSE All-Share Index sectors.

(d) Growth, Financing and Profitability

Growth

Currently, consensus forecasts for dividend growth of larger UK companies exceed those for Fledgling companies. However, earnings growth among Fledgling companies is anticipated to substantially exceed that of larger companies.

Financing

The average debt-to-equity ratio for both the Fledgling Index and the FTSE All-Share Index has decreased over the 14-month period. However, Fledgling companies continue to carry lower levels of debt than their larger counterparts, a fact that has been true at all times since the autumn of 2001.

A number of Fledgling companies have strengthened their balance sheets since 30 June 2009 by raising new equity capital, which they have used either to reduce expensive bank debt or to finance product development and future expansion, leaving them in a stronger position to capitalise on growth opportunities.

Characteristics at 31 August 2010	Debt/Equity Ratio %
FTSE Fledgling (ex. Investment Companies)	25 (34)
FTSE All-Share	47 (56)

Source: UBS.
Comparatives as at 30 June 2009 are shown in brackets.

Profitability

As a result of rebalancing, the proportion of Fledgling company sales originating from overseas markets increased from 21% to 40% over the 14-month period to 31 August 2010. We view the rise in Fledgling company overseas sales in recent years as a positive development, as increased sales to overseas markets, particularly high growth emerging markets, will offset potentially depressed domestic demand.

Average returns on equity remain significantly lower at the Fledgling end of the market. This indicates substantial scope for profits recovery by Fledgling companies.

Characteristics at 31 August 2010	Overseas Sales as a Percentage of Total * %	Average Return on Equity # %
FTSE Fledgling (ex. Investment Companies)	40 (21)	7.8 (5.9)
FTSE All-Share	50 (52)	18.2 (13.4)

Source: * Factset, Worldscope.
UBS. Data as at 31 August 2010.
Comparatives as at 30 June 2009 are shown in brackets.

(e) Takeover Activity

Takeover activity slowed in 2009 and remained relatively depressed during the first eight months of 2010, with potential acquirers placing greater emphasis on building up their cash reserves. Nevertheless, some corporates and venture capitalists have continued to take advantage of specific opportunities, attracted by the low relative valuations and potential for strong earnings growth in the Fledgling area of the market. We believe that the pace of takeover activity will increase, as large companies seek to grow their businesses in a weak economic environment.

Period	Takeovers as Proportion of the Portfolio %	Number of Takeovers
2002	6.9	36
2003	10.8	30
2004	10.3	24
2005	8.7	15
2006	11.9	17
2007	15.5	13
2008	14.7	12
2009	9.2	6
2010 (First Eight Months)	4.3	2

Gartmore Investment Limited
Manager

28 October 2010

Financial Highlights

	At 31 August 2010	At 30 June 2009	Change %
Total Return			
Net Asset Value per Ordinary share			+24.3
FTSE Fledgling (ex. Investment Companies Index)			+19.1
Capital			
Net Assets (£'000)	**84,996**	71,264	+19.3*
Net Assets ex. undistributed revenue (£'000)	**83,454**	69,138	+20.7
FTSE Fledgling (ex. Investment Companies) Index	**4783.8**	4135.4	+15.7
Market Capitalisation of Ordinary shares in issue (£'000)	**70,845**	59,775	+18.5
Ordinary Shares			
Net Asset Value**	**457.1p**	376.7p	+21.3
Middle Market Price	**381.0p**	316.0p	+20.6
Discount	**16.6%**	16.1%	

*The Company's assets were reduced during the period by £1,175,000 utilised in the repurchase and cancellation of 321,500 Ordinary shares, representing 1.7% of the number of Ordinary shares in issue at 30 June 2009. In broad terms, this reduction reflects the difference between the increase of 19.3% in Net Assets and the increase of 21.3% in Net Asset Value per Ordinary share for the 14-month period to 31 August 2010.

**Based on investments at bid-market value including undistributed revenue and after applying the accounting policies set out on pages 47 and 48.

Revenue and Dividends	Period to 31 August 2010	Year to 30 June 2009
Net Revenue after taxation (£'000)	**1,317**	2,211[1]
Revenue return per Ordinary share†	**7.02p**	11.54p[1]
Dividends per Ordinary share	**7.5p**	10.1p[2]
Total Expense Ratio	**1.2%**	1.3%

[1] Includes non-recurring VAT repayment and related interest of £888,000 (4.63p per Ordinary share).
[2] Includes special dividend of 2.6 pence.

Total Return to Equity Shareholders (£'000)		
Revenue return after taxation	**1,317**	2,211
Capital return after taxation	**15,491**	3,989
Total return	**16,808**	6,200

Total Return per Ordinary share†		
Revenue	**7.02p**	11.54p
Capital	**82.53p**	20.81p
Total	**89.55p**	32.35p

†Based on the weighted average number of shares in issue during the period.

Principal Investments
at 31 August 2010

Company	Sector	Valuation £'000		Percentage of Portfolio %	
Nestor Healthcare	Health Care Equipment & Services	3,950	(1,049)	4.5	(1.5)
Future	Media	2,681	(–)	3.0	(–)
Acal	Support Services	2,571	(850)	2.9	(1.2)
Phytopharm	Pharmaceuticals & Biotechnology	2,150	(–)	2.4	(–)
Renold	Industrial Engineering	2,149	(–)	2.4	(–)
Zotefoams	Chemicals	2,121	(828)	2.4	(1.2)
Norcros	Construction & Materials	2,063	(–)	2.3	(–)
Creston	Media	2,016	(1,066)	2.3	(1.5)
Filtronic	Technology Hardware & Equipment	1,952	(922)	2.2	(1.3)
AEA Technology	Support Services	1,826	(2,188)	2.1	(3.2)
Top Ten Investments		**23,479**		**26.5**	
Alpha Pyrenees Trust	Real Estate	1,800	(–)	2.0	(–)
Alexon Group	General Retailers	1,782	(1,077)	2.0	(1.6)
Carr's Milling Industries	Food Producers	1,764	(1,254)	2.0	(1.8)
Vernalis	Pharmaceuticals & Biotechnology	1,711	(987)	1.9	(1.4)
Air Partner	Travel & Leisure	1,683	(–)	1.9	(–)
AXA Property Trust	General Financials	1,641	(846)	1.9	(1.2)
Blacks Leisure	General Retailers	1,619	(–)	1.8	(–)
Sinclair Pharma	Pharmaceuticals & Biotechnology	1,618	(–)	1.8	(–)
Antisoma	Pharmaceuticals & Biotechnology	1,607	(–)	1.8	(–)
Avon Rubber	General Industrials	1,556	(827)	1.8	(1.2)
Top Twenty Investments		**40,260**		**45.4**	
French Connection	General Retailers	1,552	(–)	1.8	(–)
Dee Valley Group	Gas, Water & Multiutilities	1,527	(1,125)	1.7	(1.6)
Communisis	Support Services	1,442	(–)	1.6	(–)
Porvair	Chemicals	1,432	(1,251)	1.6	(1.8)
NXT	Leisure Goods	1,425	(974)	1.6	(1.4)
Harvard International †	Leisure Goods	1,377	(–)	1.6	(–)
Harvey Nash Group	Support Services	1,368	(851)	1.6	(1.2)
4Imprint Group	Media	1,366	(930)	1.5	(1.3)
Jersey Electricity	Electricity	1,344	(1,216)	1.5	(1.8)
Central Rand Gold	Mining	1,335	(–)	1.5	(–)
Top Thirty Investments		**54,428**		**61.4**	
Cadogan Petroleum	Oil & Gas Producers	1,328	(–)	1.5	(–)
Tamar European Industrial Fund	General Financials	1,316	(–)	1.5	(–)
Trifast	Industrial Engineering	1,304	(753)	1.5	(1.1)
STV	Media	1,284	(–)	1.4	(–)
Source BioScience	Pharmaceuticals & Biotechnology	1,225	(674)	1.4	(1.0)
Microgen	Software & Computer Services	1,066	(1,802)	1.2	(2.6)
Uniq	Food Producers	1,053	(1,082)	1.2	(1.6)
Moss Bros	General Retailers	1,020	(–)	1.1	(–)
Office2office	Support Services	975	(1,682)	1.1	(2.4)
Vislink	Technology Hardware & Equipment	900	(1,167)	1.0	(1.7)
Top Forty Investments		**65,899**		**74.3**	
Other listed investments (64 stocks)		22,803		25.7	
Total Investments at Fair Value		**88,702**		**100.0**	

† Quoted on the Alternative Investment Market.

Comparative valuations and percentages of portfolio as at the previous year-end are shown in brackets.

At 30 June 2009, the top 40 investments were valued at £47,318,000 and represented 68.4% of the portfolio.

Sector Classification and Weightings
at 31 August 2010

Sector	Gartmore Fledgling Trust plc %	FTSE Fledgling (ex Investment Companies) Index %	Overweight/ Underweight %
Oil & Gas	**3.1**	**2.5**	**+0.6**
Oil & Gas Producers	1.5	1.3	+0.2
Alternative Energy	1.6	1.2	+0.4
Basic Materials	**5.6**	**6.3**	**-0.7**
Chemicals	3.3	3.2	+0.1
Mining	2.3	3.1	-0.8
Industrials	**25.9**	**27.4**	**-1.5**
Construction & Materials	4.6	7.5	-2.9
Aerospace & Defence	1.8	1.5	+0.3
General Industrials	1.9	2.1	-0.2
Electronic & Electrical Equipment	0.0	0.1	-0.1
Industrial Engineering	6.6	6.0	+0.6
Support Services	11.0	10.2	+0.8
Consumer Goods	**8.1**	**6.1**	**+2.0**
Automobiles & Parts	0.7	1.5	-0.8
Food Producers	3.2	2.9	+0.3
Household Goods & Home Construction	0.2	0.5	-0.3
Leisure Goods	3.2	0.8	+2.4
Personal Goods	0.8	0.4	+0.4
Health Care	**16.5**	**16.0**	**+0.5**
Health Care Equipment & Services	5.7	7.5	-1.8
Pharmaceuticals & Biotechnology	10.8	8.5	+2.3
Consumer Services	**20.6**	**18.8**	**+1.8**
General Retailers	9.3	7.1	+2.2
Media	8.9	9.7	-0.8
Travel & Leisure	2.4	2.0	+0.4
Utilities	**3.2**	**3.6**	**-0.4**
Electricity	1.5	1.8	-0.3
Gas Water & Multiutilities	1.7	1.8	-0.1
Financials	**9.6**	**15.1**	**-5.5**
Real Estate Investment & Services	7.0	8.7	-1.7
Real Estate Investment Trusts	0.4	2.9	-2.5
Financial Services	2.2	3.5	-1.3
Technology	**7.4**	**4.2**	**+3.2**
Software & Computer Services	3.6	1.1	+2.5
Technology Hardware and Equipment	3.8	3.1	+0.7
Total Investments	**100.0**	**100.0**	

Analysis of Net Assets and Equity Shareholders' Funds

Investments	Valuation at 30 June 2009 £'000	%	Net Transactions £'000	Appreciation/ (Depreciation) £'000	**Valuation at 31 August 2010 £'000**	**%**
UK Equities	69,158	97.0	3,666	15,878	**88,702**	**104.4**
Net Current Assets/ (Liabilities)	2,106	3.0	(5,812)	–	**(3,706)**	**(4.4)**
Net Assets	71,264	100.0	(2,146)	15,878	**84,996**	**100.0**
Equity Shareholders' Funds	71,264	100.0	(1,175)[1]	14,907[2]	**84,996**	**100.0**

[1] Represents the cost of 321,500 Ordinary shares repurchased for cancellation.

[2] Comprises the total return for the year, less the cost of equity dividends paid.

Dividend Calendar

Ordinary Shares	Rate per share	XD Date	Record Date	Payment Date
Interim dividend	3.50p	3.3.10	5.3.10	31.3.10
Final dividend	4.00p	10.11.10	12.11.10	8.12.10
	7.50p			

Historical Record

	Total Assets £'000	Net Asset Value per Ordinary Share p	Mid-Market Price per Ordinary Share p	Discount %	Dividends per Ordinary share p	Mid-Market Price per Warrant £
20 December 1994†	34,517	97.2	91.0	6.4	–	35.0
31 December 1995	36,530	102.9	94.0	8.6	1.50	28.0
31 December 1996	48,060	115.5	100.0	13.4	1.60	19.0
30 June 1998*	55,628	136.7	112.5	17.7	1.80	27.5
30 June 1999	51,087	144.9	108.0	25.5	1.40	17.5
30 June 2000	99,096	207.3	160.0	22.8	3.00	61.5
30 June 2001**	64,521	216.5	183.5	15.2	4.30	–
30 June 2002	58,367	206.5	179.5	13.1	3.00	–
30 June 2003	58,580	233.7	186.0	20.4	3.25	–
30 June 2004	79,470	340.7	297.0	12.8	3.30	–
30 June 2005	88,782	389.9	370.0	5.1	3.50	–
30 June 2006	89,864	414.5	362.8	12.5	3.85	–
30 June 2007	112,462	536.5	457.0	14.8	4.00	–
30 June 2008	68,583	346.7	313.0	9.7	6.00	–
30 June 2009	71,264	376.7	316.0	16.1	7.50[x]	–
31 August 2010‡	**84,996**	**457.1**	**381.0**	**16.6**	**7.50**	**–**

† Commencement of business.

* Accounting period extended to eighteen months.

** Excludes assets attributable to 'B' Ordinary shareholders.

‡ Accounting period extended to fourteen months.

x Excludes special dividend of 2.6p.

Report of the Directors

The Directors present their report and the audited accounts for the 14-month period to 31 August 2010. The Corporate Governance Statement on pages 31 to 37 forms part of the Report of the Directors.

Business Review

The Business Review has been prepared in accordance with the Companies Act 2006. For additional information, please refer to the Chairman's Statement on pages 6 to 9, the Manager's Review on pages 11 to 17 and the portfolio analyses on pages 17 to 20.

Nature and Status

The Company is an investment trust company and was incorporated and registered in England and Wales as a public limited company on 6 October 1994 with registration number 2974633. It is an investment company as defined by section 833 of the Companies Act 2006 and is a member of The Association of Investment Companies. The Company's shares are listed on the Official List of the UK Listing Authority and are traded on the main market of the London Stock Exchange.

During the period covered by this report, the Company formed an investment dealing subsidiary, GFT Dealing Limited, to allow the Manager to take advantage of short-term opportunities. The subsidiary did not trade during the period to 31 August 2010. Therefore, as permitted by the Companies Act 2006, the Company has not prepared consolidated accounts.

The Company was last approved by the Commissioners for Her Majesty's Revenue & Customs (HMRC) as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988 (Section 842) in respect of the year ended 30 June 2009. This approval is subject to there being no subsequent enquiry under corporation tax self-assessment. The Company has been approved as an Investment Trust for all previous years. Since 30 June 2009, the Company has directed its affairs so as to be able to continue to qualify for approval as an investment trust under Section 1158 of the Corporation Tax Act 2010 (formerly Section 842).

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Investment Objective

The Company seeks long-term growth in capital and dividends from investment predominantly in the constituents of the FTSE Fledgling (ex. Investment Companies) Index (the Fledgling Index).

Investment Policy

The Company is managed using a hybrid investment style. For the most part, a policy of broad indexation of the Fledgling Index is adopted. An active overlay is then applied to up to a maximum of 35% of the portfolio. However, the Directors intend that no more than 30% of the Company's assets would normally be allocated to the active overlay.

This overlay takes the form of overweighting and/or underweighting holdings in

- Fledgling Index companies; and/or
- AIM-traded companies which were formerly admitted to trading on the Official List and which meet the Fledgling Index market capitalisation criteria (as at the time of investment)

that are strongly favoured and/or less favoured by Gartmore's investment process, and/or where directors have recently purchased or sold their own shares. The Company will not invest more than 20% of the Company's assets (as at the time of investment) in AIM-traded stocks which were formerly admitted to trading on the Official List. However, it is the Directors' intention that no more than 15% of the Company's assets (as at the time of investment) would normally be invested in such stocks.

Companies which meet the investment criteria above but which are considered unlikely to remain solvent on a one-year view will be excluded from the portfolio.

This dual approach of broad indexation coupled with an active overlay is seen as the most practicable way of obtaining full exposure to the anticipated long-term outperformance of the Fledgling Index. It offers a widely diversified portfolio, close in structure to that of the Fledgling Index. The active overlay is intended to help the Company to perform in line with or slightly ahead of its benchmark index, by adding sufficient value at least to mitigate the Company's management fees and the sometimes significant portfolio dealing costs associated with the periodic rebalancing of the Fledgling Index.

Performance

The Board considers a number of key performance indicators to assess the Company's success in achieving its investment objective. The principal measure of performance is considered to be the movement of the net asset value per Ordinary share (NAV), compared with the movement of the Fledgling Index, as the Company's primary investment objective is to broadly match the capital performance of this Index.

Over the 14-month reporting period to 31 August 2010, the Company's assets delivered a net asset value total return of 24.3%, compared with a total return of 19.1% from the Fledgling Index. The Company's relative performance benefited from the Manager's overweighting of selected stocks, particularly in the Chemicals, Industrials, and Technology sectors. Positive contributions came from overweight positions in Acal, an electronic components distributor; Avon Rubber, which manufactures products for the international automotive, engineering, dairy and defence industries; STV, a Scottish TV group; Nestor Healthcare, the largest independent provider of services to the UK health and social care market; and Zotefoams, a leading manufacturer of foam products. Performance also benefited from underweight positions in health care company Puricore. Conversely, overweight positions in clothing retailers Alexon and Blacks Leisure detracted from performance, as did holdings in biotech company Phytopharm and food producer Uniq.

The Company's performance over the longer term is summarised in the tables in the Manager's Review on pages 11 and 12.

The Directors also monitor the performance of the Company's Ordinary shares and, in particular, the level of discount at which the Ordinary shares trade relative to the net asset value. Over the period to 31 August 2010, the mid-market price of the Company's Ordinary shares rose by 20.6%. An active share buy-back policy is in place which aims to reduce discount volatility and the level of the discount, compared with the Company's peer group. During the 14-month reporting period, the Company repurchased 1.7% of the Ordinary shares in issue at 30 June 2009, at an average price of 363.6 pence and a weighted average discount of 16.4%. Over this period, the Ordinary shares traded at a discount ranging between 10.0% and 22.2%, compared with a range of 13.1% and 18.7% for the AIC UK Smaller Companies sector. The Ordinary shares ended the financial year at a discount of 16.6% to net asset value (including undistributed revenue), although this has since narrowed to 11.1% at the date of this Report.

Additionally, the Board regularly reviews the costs of running the Company. For the accounting period to 31 August 2010, the Company's total expense ratio (TER) was 1.2%, compared with 1.3% for the year to 30 June 2009.

Financial Position and Total Return

At 31 August 2010, net assets amounted to £84,996,000, compared with £71,264,000 at 30 June 2009. All of the Company's investments are listed on recognised exchanges and would normally be realisable within a relatively short timeframe.

The Company made a net revenue surplus in the 14-month accounting period, after expenses and taxation, of £1,317,000, compared with £2,211,000 for the year to

30 June 2009. The Directors recommend a final dividend of 4.0 pence per Ordinary share which, subject to shareholders' approval, will be paid on 8 December 2010 to shareholders on the register on 12 November 2010. This dividend, together with the interim dividend of 3.5 pence per Ordinary share paid on 31 March 2010, makes a total of 7.5 pence.

Borrowing Facilities

The Company has an overdraft facility of £9,000,000, which is provided by The Royal Bank of Scotland plc. The facility is used from time to time to facilitate periodic rebalancing of the portfolio. The facility is also used occasionally to fund share buy-backs and corporate actions, including placings and open offers. Drawings on the facility, when made, are therefore normally short-term in nature. At 31 August 2010, the amount drawn on this facility was to £3,600,000.

Corporate Social Responsibility and Socially Responsible Investment

The Company has no employees and the Board is comprised entirely of non-executive Directors. As an investment trust, the Company has no direct impact on the environment. In carrying out its activities and in relationships with suppliers and the community, the Company aims to conduct its business responsibly, ethically and fairly.

The Company has delegated responsibility for making and holding investments to the Manager, Gartmore Investment Limited, on the basis that, subject to an overriding requirement to pursue the best economic interests of the Company and its shareholders, the Manager should take account of social, environmental and ethical factors.

Future Trends

Although we are cautious over the short-term, particularly with regard to the UK Government's austerity measures and their impact on economic growth, we believe that the considerable attractions of Fledgling companies remain undiminished. The annual rebalancing also continues to provide the Manager with attractive opportunities to enhance portfolio returns over the medium to longer term.

Principal Risks and Uncertainties

The Company's performance is dependent on the performance of the companies and securities markets in which it invests. Smaller company markets are, by their very nature, less liquid than their larger counterparts and therefore tend to be more sensitive to economic and other factors, and hence more volatile. A significant and/or prolonged fall in these equity markets would have a serious impact on the Company's net asset value and share price. The key characteristics and differences between the Fledgling Index and the larger UK equity markets are provided in the Manager's Review on pages 11 to 17.

The Company is permitted to invest in AIM companies which were formerly traded on the Official List. An investment in shares traded on AIM may be less liquid and may carry a higher risk than an investment in shares traded on the Official List. In addition, the rules of AIM and the continuing obligations imposed on AIM companies are less demanding than those of the Official List.

The Company's ability to provide returns to shareholders and achieve its investment objective is dependent on the ability of the Manager to add further value through the active investment overlay.

The Company is also subject to the risk that the market rating of its Ordinary shares will fail to reflect its investment performance, as a consequence of poor sentiment towards equities in general or smaller companies in particular. The Board regularly reviews the relative level of discount against the sector, giving consideration to ways in which share price performance can be enhanced including marketing initiatives and effective communication of the Company's investment performance to existing and potential investors by the Manager and the corporate broker.

In common with most other investment trust companies the Company has no employees other than the non-executive directors. The Company therefore relies on services provided by third parties, including, in particular, the investment manager and company secretary Gartmore Investment Limited. As described in the Corporate Governance Statement on pages 36 and 37, the Board keeps under review the risks facing the Company and minimises operational risks through its arrangements with service providers and reviews of their services and internal controls.

The Company is an investment trust and as such, must satisfy the conditions of Section 1159 of the Corporation Tax Act 2010 (formerly Section 842 of the Income and Corporation Taxes Act 1988). A breach of these requirements may result in the Company losing its investment trust status and, as a consequence, becoming subject to tax on capital gains. The Board receives monthly reports from the Manager with regard to the Company's compliance with Section 1159 requirements.

Other principal risks associated with the Company's financial instruments and policies for managing these risks are given in note 22 to the accounts.

Management and Administration

The Company's investments are managed by Gartmore Investment Limited in accordance with the terms of an Investment Management Agreement dated 3 March 2003, as subsequently amended, which provides for six months' notice of termination to be given by either party. The management fee is calculated monthly in arrear at 0.8% per annum on the value of the Company's Total Assets, less current liabilities other than borrowings for the purpose of investment up to £75.0 million and at 0.5% per annum thereafter.

Gartmore Investment Limited provides the accounting, company secretarial and general administrative services required by the Company in connection with its business and operations under the terms of a Company Secretarial and Administration Agreement dated 3 March 2003. No separate fee is charged for these services.

The Bank of New York Mellon provides custodian services to the Company under a Custody Agreement with the Company dated 3 March 2003.

Continuing Appointment of the Manager

In accordance with the Listing Rules published by the Financial Services Authority, the Board, through the Management Engagement Committee, has reviewed the performance of the Manager in managing the Company's portfolio. The review considered the Company's investment performance over both the short and longer terms, together with the quality and adequacy of other services provided by Gartmore Investment Limited, including company secretarial, accounting and marketing. The Committee also reviewed the appropriateness of the terms of the Investment Management Agreement, in particular the length of notice period and the management fee structure, and of the Company Secretarial and Administration Agreement.

The Board remains satisfied with investment performance under Gartmore's management and, in particular, with the experience, skills and commitment of the individual fund managers assigned by Gartmore to manage the Company's portfolio. It is, therefore, the Directors' opinion that the continuing appointment of the Manager on the existing terms is in the interests of the Company and its shareholders.

Directors

The Directors of the Company are shown on pages 4 and 5. With the exception of Mr Robert Jeens, who was appointed as a Director on 1 September 2010, all the present Directors served throughout the period ended 31 August 2010.

Mr James Kerr-Muir will retire as a Director at the conclusion of the Annual General Meeting on 1 December 2010.

Having been appointed as a Director since the last Annual General Meeting, Mr Robert Jeens retires in accordance with the Articles of Association of the Company and, being eligible, offers himself for appointment by shareholders.

In accordance with the requirements of the Combined Code on Corporate Governance regarding long-serving Directors, Mr Peter Dicks, Mr John Hancox and Mr Jimmy West, who have each served as Directors for more than nine years, also retire and, being eligible, offer themselves for re-election.

The Board confirms that, having conducted a formal performance evaluation, each of the Directors seeking re-election continues to demonstrate their commitment to the Company and to perform their roles effectively.

The Directors held the following beneficial interests in the Ordinary shares of the Company at 1 July 2009 and 31 August 2010. There have been no changes since 31 August 2010.

	At 31 August 2010	At 1 July 2009
Jimmy West	**18,000**	18,000
Rod Birkett	**4,000**	–
Peter Dicks	**15,000**	15,000
John Hancox	**60,000**	60,000
James Kerr-Muir	**16,000**	16,000

Robert Jeens held no Ordinary shares of the Company at the date of his appointment.

No Director has a contract of service with the Company, nor has any Director had such a contract in the last six months. The Directors are covered under a policy of directors' liability insurance arranged by the Company at its own expense.

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to their defence of any proceedings brought against them arising out of their positions as Directors of the Company, in which they are acquitted or judgment is given in their favour.

Save as aforesaid, there were no contracts or arrangements existing at any time during the year, or since, in which a Director of the Company was materially interested, either directly or indirectly.

The Directors are ultimately responsible for the management of the Company and may exercise all the powers of the Company subject to the provisions of the relevant statutes and the Company's Articles of Association.

Share Capital

At 30 June 2009, the Company's issued share capital comprised 18,916,080 Ordinary shares of 25 pence each. During the period to 31 August 2010, the Company repurchased for cancellation 321,500 Ordinary shares with a nominal value of £80,375. This represented approximately 1.7% of the issued share capital at 30 June 2009. The aggregate consideration paid by the Company was £1,175,000. At 31 August 2010, the Company had authority to repurchase a further 2,590,500 Ordinary shares, such authority to expire at the conclusion of the next Annual General Meeting of the Company. There were 18,594,580 Ordinary shares in issue at 31 August 2010.

Since 31 August 2010, the Company has repurchased for cancellation 653,000 Ordinary shares for an aggregate consideration of £2,520,000.

Ordinary shareholders are entitled on a poll at a general meeting to one vote in respect of each share held.

Substantial Shareholders

At the date of this Report, the Directors were aware of the following interests of 3% or more of the Company's issued share capital having unrestricted voting rights:

	Number of Ordinary shares	Percentage of Ordinary shares
Prudential Assurance Company	6,569,686	36.6
AXA Investment Managers (UK)	2,408,285	13.4
Gartmore Investment Management (ISA and Savings Schemes)	1,264,384	7.0
Legal & General Investment Management	720,822	4.0
JPMorgan Asset Management (UK)	657,835	3.7

The Prudential Assurance Company's holding continues to exceed 30% as a consequence of the Company's ongoing repurchase and cancellation of Ordinary shares. In accordance with Note 1 of Rule 37 of the City Code on Takeovers and Mergers, this percentage holding did not result in an obligation, under Rule 9 of the City Code, for the Prudential Assurance Company to make a mandatory offer for the Company.

Going Concern

Having considered the Company's investment objective, the nature and liquidity of the Company's investment portfolio and income and expenditure projections, the Directors believe that it is appropriate for the Company to continue to prepare the accounts on a going concern basis. The assets of the Company consist almost entirely of securities that are readily realisable and the value of the Company's assets is significantly greater than its liabilities. Accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

The validity of the going concern basis depends on the outcome of the vote on the Ordinary Resolution which will be put to the Annual General Meeting authorising the Company to continue to operate as an investment trust company. In particular, no provision has been made for the costs of winding-up the Company, or of liquidating its investments in the event that the Ordinary Resolution is not passed at the Annual General Meeting. The value which would be generated from the realisation of the Company's assets on a winding-up, or from any reconstruction proposals that the Directors might put forward cannot currently be estimated since this will be determined by investment markets at the time.

Supplier Payment Policy

It is the policy of the Company to settle all investment transactions in accordance with the terms and conditions of the equity markets in which it operates. All other creditors are settled on the due date for payment.

Section 992 Companies Act 2006

The following information is disclosed in accordance with Section 992 of the Companies Act 2006:

- The Company's capital structure and voting rights are summarised on page.
- Details of the most substantial shareholders in the Company are listed on page 26.
- The rules concerning the appointment and replacement of directors are contained in the Company's Articles of Association and are considered on page 32.
- Amendment of the Company's Articles of Association and powers to issue or buy back the Company's shares require a special resolution to be passed by shareholders.
- There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements

between holders of securities regarding their transfer known to the Company; no agreements which the Company is party to that might affect its control following a takeover bid.

- There are no agreements between the Company and its directors concerning compensation for loss of office.

Provision of Information to Auditor

Each of the Directors confirms that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and

(b) all the steps that ought reasonably to have been taken to make the Director aware of any relevant audit information and to establish that the Company's Auditor is aware of such information were taken.

Auditor

Ernst & Young LLP have expressed their willingness to continue in office as Auditor to the Company. A resolution proposing the firm's re-appointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Business of the Annual General Meeting

The Notice of Annual General Meeting of the Company to be held at 11.30 a.m. on 1 December 2010 can be found on pages 59 to 62.

The first nine resolutions to be put to shareholders are Ordinary resolutions, which require a majority of not less than 50% of shareholders who vote, to vote in favour. Resolutions 10, 11 and 12 are Special resolutions, which require a majority of not less than 75% of shareholders who vote, to vote in favour.

Resolution 1 – Annual Report, Accounts and Auditor's Report
The Chairman will present the Annual Report and Accounts for the period ended 31 August 2010 to the meeting, together with the Auditor's Report relating to that period.

Resolution 2 – Directors' Remuneration Report
It is mandatory for listed companies to put their Report on Directors' Remuneration to an advisory shareholder vote. As the vote is advisory it does not affect the actual remuneration paid to any individual director. The Report on Directors' Remuneration is set out on pages 38 and 39 of this Annual Report.

Resolutions 3 – Final Dividend
The Board is recommending the payment of a final dividend of 4.0 pence which, if approved by shareholders, will be paid on 8 December 2010.

Resolutions 4 – Appointment of Director
In accordance with the Company's Articles of Association, Directors appointed by the Board are subject to appointment by shareholders at the first Annual General Meeting following their appointment. Accordingly, Mr Robert Jeens, who was appointed as a Director of the Company on 1 September 2010, retires and seeks election.

Resolutions 5, 6 and 7 – Re-appointment of Directors
Mr Peter Dicks, Mr John Hancox and Mr Jimmy West, who have each served as Directors of the Company for more than nine years, retire in accordance with the requirements of the Combined Code on Corporate Governance and offer themselves for re-election. Biographical details of the Directors seeking re-appointment are set out on pages 4 and 5 of this Annual Report.

The Board has confirmed that, following a performance review, each of the Directors standing for re-election at the forthcoming Annual General Meeting continues to perform their duties effectively and to demonstrate commitment to their role.

Resolutions 8 – Re-appointment of the Auditor
It is necessary for shareholders to agree each year to the appointment of the Auditor and how their remuneration will be fixed. Ernst & Young LLP have

expressed their willingness to continue and this resolution seeks agreement to their re-appointment and for the Directors to fix their remuneration.

Resolution 9 – Continuation Vote
As part of the reorganisation proposals which were approved by shareholders at the Extraordinary General Meeting held on 24 April 2001, the Articles of Association were amended to provide that, inter alia, the Directors are required at every Annual General Meeting to propose an Ordinary Resolution that the Company continue operating as an investment trust company.

The continuation vote is an important vote for shareholders and a means by which they may direct the future of the Company. If the continuation vote is not passed, the Directors are required to draw up proposals for the voluntary liquidation, unitisation or other reorganisation of the Company within 90 days of the continuation vote not being passed. If the proposals for the voluntary liquidation, unitisation or other reorganisation of the Company are not approved by shareholders by Special Resolution, the Directors must then convene a further general meeting at which an Ordinary Resolution to wind-up the Company will be proposed.

Resolution 10 – Authority to Purchase Own Shares
The Company's Articles of Association permit the Company to redeem or purchase its own shares out of capital profits. Under the Financial Services Authority Listing Rules, a company is permitted to purchase up to 14.99% of its equity share capital through market purchases pursuant to a general authority granted by shareholders in general meeting. During the 14-month period to 31 August 2010, approximately 1.7% of the Ordinary share capital as at 30 June 2009 was repurchased and cancelled.

The current authority, which permits the Company to purchase up to 14.99% of the Ordinary shares, expires at the conclusion of the forthcoming Annual General Meeting. The Board believes that the Company should continue to have authority to make market purchases of its own Ordinary shares for cancellation. Accordingly, a Special Resolution is proposed to authorise the Company to make market purchases for cancellation of up to 14.99% of the Company's issued Ordinary share capital at the date of the Annual General Meeting (equivalent to approximately 2,689,000 Ordinary shares if there is no change in the issued share capital between the date of this report and the Annual General Meeting to be held on 1 December 2010).

Resolution 11 – New Articles of Association
We are also asking shareholders to approve new articles of association (the New Articles) in substitution for the Company's current articles of association (the Current Articles) in order to update the Current Articles primarily to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the Shareholders' Rights Regulations) and the implementation of the final provisions of the Companies Act 2006.

The principal changes introduced in the New Articles are summarised in the Appendix to the Notice of Annual General Meeting on pages 63 and 64. Other changes, which are of a minor, technical or clarifying nature and also some other minor changes which merely reflect changes made by the Companies Act 2006 or the Shareholders' Rights Regulations, or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills, have not been noted in the Appendix. The proposed New Articles showing all the changes to the Current Articles are available for inspection at the Company's registered office as noted on page 66 of this Annual Report.

Resolution 12 – Notice of General Meetings
At last year's annual general meeting, shareholders approved a resolution allowing the Company to call general meetings, other than an Annual General Meeting, on 14 clear days' notice. This followed changes to the Companies Act 2006 made by the Shareholders' Rights Regulations which increased the notice

period required for general meetings of the Company to 21 clear days unless a shorter notice period is approved by shareholders. The shorter notice period, which cannot be less than 14 days, is conditional on the Company offering facilities to all shareholders to vote by electronic means. Annual General Meetings will continue to be held on at least 21 clear days' notice. The Board is therefore proposing Resolution 12 as a special resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than annual general meetings. The approval will be effective until the Company's next annual general meeting, when it is intended for the approval to be renewed.

Recommendation

The Directors consider that the above resolutions are in the interests of the Company and shareholders taken as a whole and recommend that all shareholders vote in favour, as the Directors intend to in respect of their own beneficial holdings of Ordinary shares amounting in aggregate to 113,000 shares.

By Order of the Board
GARTMORE INVESTMENT LIMITED
Secretary
28 October 2010

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law, the Directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report (including a Business Review) and a Directors' Remuneration Report that comply with that law and those regulations.

The accounts are published on www.gartmore.com, which is the website maintained by the Company's Manager. The part of the Manager's website specific to the Company can be accessed directly by using www.gartmorefledglingtrust.co.uk. The work undertaken by the Auditor does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the accounts since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their own jurisdiction.

Statement under DTR 4.1.12

The Directors of the Company, whose names are shown on pages 4 and 5 of this Report, each confirm to the best of their knowledge that:

- the accounts, which have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Jimmy West
Chairman
28 October 2010

Corporate Governance Statement

The Corporate Governance Statement on pages 31 to 37 forms part of the Report of the Directors.

Introduction

The Board is accountable to shareholders for the governance of the Company's affairs.

The Company is committed to maintaining high standards of corporate governance and to the principles of good governance as set out in the Combined Code on Corporate Governance (the Combined Code) issued in June 2008 and in the AIC Code of Corporate Governance and accompanying guide (the AIC Code).

Pursuant to the Listing Rules of the Financial Services Authority, the Company is required to provide shareholders with a statement on how the main and supporting principles set out in Section 1 of the Combined Code have been applied and whether the Company has complied with the provisions of the Combined Code.

The Board has established corporate governance arrangements that it believes are appropriate to the business of the Company as an investment trust company.

Statement of Compliance

In February 2009, the Financial Reporting Council (the FRC), the UK's independent regulator for corporate reporting and governance responsible for the Combined Code, re-endorsed the AIC Code. The terms of the FRC's endorsement mean that AIC Members who report against the AIC Code and who follow the AIC Corporate Governance Guide for Investment Companies meet fully their obligations under the Combined Code and related disclosure requirements of the Listing Rules.

The Board believes that the Company has complied with the provisions of the Combined Code throughout the financial period ended 31 August 2010.

The following statement describes how the Principles of Good Corporate Governance have been applied and the Combined Code and the AIC Code followed.

Independence of Directors

The Board currently consists of six non-executive Directors, all of whom are considered to be independent of the Company and the Manager.

The Board subscribes to the AIC Code principle that long-serving Directors should not be prevented from forming part of an independent majority and does not believe that length of tenure compromises a director's ability to act independently. Nevertheless, the Combined Code requires that directors who have served for more than nine years should seek re-election by shareholders annually. Accordingly, Peter Dicks, John Hancox and Jimmy West will retire as Directors at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The Board, through the Nomination Committee, has carefully reviewed the independent status of each Director and of the Board as a whole, with individual Directors abstaining from discussion concerning their own status. The Board has determined that each of the Directors seeking re-appointment has demonstrated that they are independent in character and judgement and that their individual skills, broad business experience and high degree of knowledge and understanding of the Company are of great benefit to shareholders.

Senior Independent Director

The Senior Independent Director is John Hancox, who provides a channel for referral of any shareholder concerns and takes the lead in the annual evaluation of the Chairman.

Appointment and Re-election of Directors

The appointment of new Directors is considered by a Nomination Committee, which comprises the whole Board. New Directors are offered access to external training facilities to assist the process of induction, and relevant information is provided in a Letter of Appointment. Ongoing training requirements are dealt with on an ad hoc basis. No Director has a contract of service with the Company. Directors appointed by the Board are subject to appointment by shareholders at the first Annual General Meeting following their appointment. During the period to 31 August 2010, the Nomination Committee used the services of Stephenson & Co., an independent consultant, to identify potential directors.

In accordance with the Articles of Association of the Company, each Director is required to retire and, if so desired, submit himself or herself for re-election at least every three years.

Responsibilities of the Board

The Board has contracted the management of the investment portfolio, custodian and registrar services and the day-to-day accounting and company secretarial services to external providers under contracts entered into after proper consideration by the Board of the quality and cost of the services offered.

There is a formal schedule of matters specifically reserved for decision by the Board and guidelines within which the Manager is required to implement investment policy. At each Board Meeting the Directors follow a formal agenda, which includes review of the Company's net asset value, share price, discount, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions and any other relevant business matters to ensure that control is maintained over the affairs of the Company. Further reports on the quality and effectiveness of investment controls, accounting records and management information maintained on behalf of the Company, and other relevant matters that should be brought to the Board's attention, are reviewed periodically. The Board regularly reviews investment strategy.

The Board meets formally at least six times a year. The Directors have regular contact with the portfolio manager and company secretary in the periods between the formal meetings. Additional Board meetings and Committee meetings are arranged as and when required.

The number of meetings of the Board and its Committees held during the period to 31 August 2010 and the attendance record of each Director are shown in the following table.

	Board	Audit Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
Number of Meetings	7	4	2	2	2
Jimmy West	7	4	2	2	2
Rod Birkett	7	4	2	2	2
Peter Dicks	7	4	2	2	2
John Hancox	7	4	2	2	2
James Kerr-Muir	7	4	2	2	2

Performance of the Board

The Board has conducted a review of its own performance, together with that of its Committees, the Chairman and each individual Director, through questionnaires and discussion, and has concluded that in each case this has been satisfactory. In particular, it is considered that each of the Directors makes a significant contribution to the affairs of the Company and that Directors seeking re-election at the Company's forthcoming Annual General Meeting merit re-election by shareholders.

Corporate Governance Statement

The Directors seek to ensure that the Board has an appropriate balance of skills, experience and length of service. The biographies of the Directors shown on pages 4 and 5 of this Annual Report demonstrate the wide range of investment, commercial and professional experience that they contribute to the Board's deliberations. The size and composition of the Board is considered adequate for the effective governance of the Company.

Conflicts of Interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company (situational conflicts). The Board has a formal system in place for Directors to declare situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate.

Any situational conflicts considered, and any authorisations given, are recorded in the relevant minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the systems it has in place for reporting and considering situational conflicts continue to operate effectively.

Relationship with Manager

The day-to-day management of the Company's portfolio has been delegated under contract to the Manager, Gartmore Investment Limited. One or more representatives of the Manager attend each Board meeting to report on portfolio transactions and performance during the period since the last Board meeting. Under the terms of the Investment Management Agreement, the Manager is required to follow specific investment objectives and restrictions. The Board reviews annually the controls in place to ensure compliance with the Company's investment objectives and restrictions and the Manager's policy statements on voting and corporate governance observance.

Whilst it is an ongoing duty of the Board to monitor and evaluate the performance of the Manager, there has been greater communication between Directors and Gartmore's senior management over recent months than has previously been the case, including meetings with the Chief Executive Officer. This follows a number of highly-publicised events, in particular the suspension and subsequent resignation of one of Gartmore's senior portfolio managers and more recently the resignation of Gervais Williams, co-manager of the Company's portfolio.

The Manager maintains ongoing communication with the Directors between Board meetings and contacts the Board for specific guidance on significant issues.

Relationship with Shareholders

The Board recognises the importance of good communication between the Company and its shareholders, who are encouraged to attend and vote at the Company's Annual General Meeting. The Board supports the principle that the Annual General Meeting should in part be used to communicate with private investors. A short presentation on the fund and its prospects for the forthcoming year is given by the portfolio manager. The Annual General Meeting also provides private shareholders with a valuable opportunity to meet the Directors and the portfolio managers, to convey their views on the Company's performance and to discuss issues affecting their investment. Shareholder concerns should be addressed to the Board by writing to the Company at its Registered Office, as shown on page 66, or by telephoning the Manager, who reports such communications to the Board.

The Manager meets institutional shareholders on a regular basis and reports to the Board on matters raised at these meetings.

The Directors will be available at the Annual General Meeting to answer any questions raised by shareholders. At every Annual General Meeting, each substantial issue is dealt with in a separate resolution, and where a vote is decided on a show of hands the Chairman will subsequently report on the number of proxy votes lodged, including any abstentions. A poll will be taken in all circumstances where the show of hands does not represent the votes indicated by the proxies received. The Notice of Annual General Meeting is contained in the Annual Report and Accounts that is published at least 20 working days before the Meeting.

Detailed lists of shareholders are regularly reviewed by the Board and the Directors receive reports from the Manager's investor relations director for investment trusts, who is in regular direct contact with investors.

The Company's Interim and Annual Reports are designed to provide a full and readily understandable review of performance. Copies are despatched to shareholders by mail and are also available for downloading from the Manager's website, www.gartmore.co.uk. The part of the Manager's website specific to the Company can be accessed directly using www.gartmorefledglingtrust.co.uk. This information is supplemented by the bi-annual publication of the Interim Management Statement and a monthly factsheet, which can be viewed on the Manager's website, and by the daily publication of the net asset value to the Regulatory Information Service, which can be viewed on the London Stock Exchange website, www.londonstockexchange.com. The Board is directly responsible for all statements regarding any corporate activity involving the Company.

Exercise of Voting Rights in Investee Companies

The Company has delegated the responsibility for voting on its behalf at investee company meetings to the Manager, Gartmore Investment Limited, on the basis that, subject to an overriding requirement to pursue the best economic interests of the Company and its shareholders, the Manager should take account of social, environmental and ethical factors in using the voting powers conferred by such investments. Resolutions of particular importance or contention are referred to the Board prior to exercise of the vote. The Manager reports to the Board on votes exercised on a quarterly basis.

The Manager aims to vote at General Meetings of all companies in which the Company invests, but practical difficulties may prevent this in some instances. The Manager supports good practice in business and endorses the OECD Principles of Corporate Governance as part of the development of codes of best practice for individual markets.

The Manager's process utilises the expertise of fund managers, research analysts and a specialist corporate governance team in applying written voting principles and guidelines. These voting principles and guidelines can be seen on the Company's web site, in the "corporate governance" section under the "about the trust" tab. The Manager also retains the services of an outside independent research provider.

The Manager recognises that circumstances can occur where it faces an actual or perceived material conflict of interest in effecting its voting responsibilities. Where such conflicts arise, arrangements are made to ensure that decisions are taken in the long term interests of their clients.

These arrangements may include:

- referring decisions to a senior manager unconnected with the day-to-day management of the fund concerned;
- using the advice of an independent third party;
- consulting clients directly.

In the event that the Manager also manages assets, a pension plan, or a related entity of the company on which it is voting, it has undertaken to ignore this relationship and vote in the manner it judges to be in the best interests of the investing client.

During the 14-month period to 31 August 2010 the Manager voted at 181 general meetings on behalf of the Company. At these meetings the Manager voted in favour of most resolutions, as should be expected when investing in well-run companies, but voted against 28 resolutions and abstained from 24. The majority of the votes against were in respect of the remuneration and election of directors and most of the abstentions also related to the election of directors.

Company Secretary

The Directors have direct access to the advice and services of the corporate Company Secretary, Gartmore Investment Limited. The Company Secretary is responsible to the Board for ensuring that Board and Committee procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible to the Board for ensuring timely delivery of information and reports and that the statutory obligations of the Company are met.

Independent Professional Advice

Procedures are in place for individual Directors to seek independent professional advice on any matter concerning them in the furtherance of their duties at the Company's expense.

Committees of the Board

The Board has established an Audit Committee with clearly defined written terms of reference and duties. The Board is satisfied that at least one of the Committee's members has recent and relevant financial experience. The Audit Committee comprises all the Directors of the Company and is chaired by Mr J R Kerr-Muir. The Audit Committee meets at least twice a year, once with the external Auditors present and once with members of the Manager's compliance and corporate risk team in attendance. There are formal arrangements for considering accounting policies, financial statements, the Annual Report and Accounts, the Interim Report and internal controls, which are detailed below. The Audit Committee also reviews the terms of appointment and remuneration of the Company's Auditor, the effectiveness of the audit process and the maintenance of an appropriate relationship with them to ensure independence and objectivity. The provision of non-audit services by the Company's Auditor is considered and approved by the Audit Committee on a case-by-case basis. The Audit Committee is satisfied that Ernst & Young LLP is independent of the Company.

The Combined Code recognises that investment companies may find some of its standard provisions inappropriate in their particular circumstances. In this regard, the whole of the Company's Board of Directors continues to fulfil the responsibilities of the undermentioned committees, each of which meets once a year and on such additional occasions as are considered necessary. Each committee has defined duties and responsibilities and, with the exception of the Remuneration Committee, which is chaired by Mr J P D Hancox, is chaired by the Chairman of the Board:

– the Management Engagement Committee is responsible for reviewing the management contract on a regular basis, ensuring that the terms are fair and reasonable and that its continuance, given the Company's performance over both short and longer terms, is in the best interests of the Company and its shareholders, and also for reviewing the performance and cost effectiveness of the Company's other service providers;
– the Nomination Committee is responsible for reviewing the performance of individual Directors and the Board as a whole, for Board succession planning and for the nomination of new directors through an established formal procedure; and

– the Remuneration Committee is responsible for monitoring the remuneration of the Directors. The level of Directors' fees is reviewed by reference to the work involved, the level of responsibility and the fees paid by comparable investment trust companies.

Copies of the terms of reference for each Committee of the Board can be found on the Manager's website www.gartmore.co.uk or may be obtained from the Company Secretary.

Internal Control

The Directors are responsible for the Company's systems of internal control.

The Combined Code requires the Directors to review, on at least an annual basis, the effectiveness of the Company's systems of internal control, covering all controls, including business, operational, compliance and financial risk.

Unlike the boards of most other listed companies, the boards of investment trust companies obtain the majority of their evidence as to whether internal controls are operating effectively from third party suppliers to whom investment management, custody, accounting and secretarial matters have been delegated. This means that an appreciation of the internal controls for an investment trust company requires directors to consider information from a number of independent sources, rather than from a consolidated single source covering a typical listed company's systems of internal control.

In particular, Gartmore Investment Limited is responsible for the provision of investment management, accounting and company secretarial services, under the terms of the Investment Management Agreement and the Company Secretarial and Administration Agreement, referred to on page 24, and The Bank of New York Mellon provides custodian services under a separate Custody Agreement. Gartmore's system of internal control include organisational arrangements with clearly defined lines of responsibility and delegated authority, as well as control procedures and systems which are regularly evaluated and internally audited and which include control of delegated functions. Gartmore has delegated the provision of accounting, bookkeeping, valuation and trade processing services to HSBC Bank plc, but remains responsible to the Company for these functions.

The Directors review reports from Gartmore on a regular basis concerning those aspects of Gartmore's systems relevant to the provision of services to the Company. A clearly defined investment strategy is set for the Manager and monitored by the Board, which regularly reviews the Company's investments, liquid assets and liabilities, investment transactions, and revenue and expenditure. The Manager is responsible for day-to-day monitoring of the Company's investments and for exercising voting rights effectively and responsibly, but overridingly in the best economic interests of the Company and its shareholders.

On behalf of the Board of Directors, the Audit Committee reviews internal control reports, prepared to the standard set out by the American Institute of Certified Public Accountants in their auditing standard SAS70, from Gartmore Investment Management Limited, the Manager's immediate parent company, and from The Bank of New York Mellon.

As the Company has no employees and its operational functions are undertaken by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function. Instead, the Audit Committee relies on SAS70 and other internal control reports received from its principal service providers, particularly the Manager, to satisfy itself as to the controls in place.

Twice a year, the Board formally considers the effectiveness of the system of internal control. The Board takes account of any risk management problems or compliance breaches identified previously and receives reports from the Manager's compliance and operational risk officer. At the conclusion of that formal review, the Board decides whether any changes to the systems of internal control are required. The review covers the key business, operational, compliance and financial risks facing the Company in seeking to achieve its objectives. In arriving at its judgement of what constitutes a sound system of internal control, the Board considers the following factors:

– the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
– the threat of such risks becoming a reality;
– the Company's ability to reduce the incidence and impact of risk events; and
– the costs and benefits to the Company, or third parties, of operating the relevant controls.

Against this background, the Board has split the review of risk and associated controls into five sections reflecting the nature of the risks being addressed as follows:

– corporate strategy;
– published information, and compliance with laws and regulations;
– relationships with service providers;
– investment and business activities; and
– fraud and misappropriation.

In assessing internal controls, the Board considered the following elements based on reports provided by third party suppliers:

– control environment;
– identification and evaluation of risks and control objectives;
– information and communication; and
– control procedures.

The Directors have reviewed the information provided to them. Whilst acknowledging their reliance in some respects on third parties, the Directors have reviewed the effectiveness of internal controls and are able to confirm that the internal controls in operation during the period from 1 July 2009 up to the date of this Annual Report continue to be appropriate to the Company's business activities and methods of operation.

As described above, the ongoing process for identifying, evaluating and managing significant risks faced by the Company has been in place throughout the year under review and up to the date of approval of the Annual Report. Systems are in operation to safeguard the Company's assets and shareholders' investment, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable. The Company's systems of internal control are designed to manage rather than eliminate risk and the system of internal control provides reasonable, but not absolute, assurance against material misstatement or loss.

The Company has complied fully throughout the period ended 31 August 2010, and up to the date of approval of the Annual Report and Accounts, with the provisions set out in the revised guidance on internal control published by the Financial Reporting Council.

By Order of the Board
Gartmore Investment Limited
Secretary
28 October 2010

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006. An Ordinary Resolution for the approval of this report will be put to shareholders at the Annual General Meeting on 1 December 2010.

The law requires your Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are so indicated. The Auditor's opinion is included in their report on pages 40 and 41.

Remuneration Committee

The Board is comprised solely of non-executive Directors. The Company has no employees other than the non-executive Directors. The Board as a whole fulfils the function of the Remuneration Committee, which is chaired by Mr J P D Hancox.

Policy on Directors' Fees

In accordance with the Articles of Association of the Company, the aggregate remuneration of the Directors may not exceed £125,000 per annum or such higher amount as may, from time to time, be decided by Ordinary resolution of the Company. Subject to this overall limit, the Board's policy is that remuneration of the non-executive Directors should be comparable to that of other investment trusts of a similar size which have a similar capital structure and similar investment objectives, and should be set at a level sufficient to attract and retain directors of the calibre required to direct the Company. It is intended that this policy will continue for the year to 31 August 2011 and for subsequent years.

With effect from 1 July 2010, Director's annual fee rates were increased from £27,000 to £28,000 for the Chairman of the Board, from £20,000 to £20,500 for the Chairman of the Audit Committee and from £18,000 to £18,500 for each of the other Directors.

Non-executive Directors are not eligible to receive bonuses, pension benefits, share options or other benefits.

Directors' Terms of Appointment

It is the Board's policy that none of the Directors should have a service contract. The terms of their appointment provide that Directors shall retire and be subject to appointment by shareholders at the first Annual General Meeting following their appointment by the Board, and be subject to re-appointment at least every third year after that. The terms also provide that the appointment may be terminated at any time by and at the discretion of either party upon one month's written notice. No compensation is payable to a Director on leaving office.

The table below shows the original date of appointment of the Directors and the expected Annual General Meeting at which they must next offer themselves for re-election.

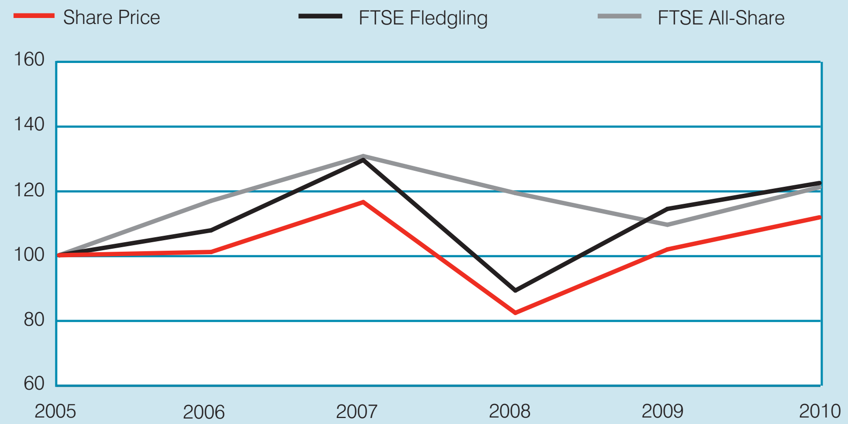
	Original Date of Appointment	Annual General Meeting for re-election
Jimmy West	24 November 1994	2010
John Hancox	3 August 1998	2010
Peter Dicks	30 November 1999	2010
Rod Birkett	1 August 2008	2011
Robert Jeens *	1 September 2010	2013

* Subject to appointment by shareholders at the Annual General Meeting on 1 December 2010

Mr James Kerr-Muir, who was appointed a Director on 25 November 1994, will not be seeking re-election at the forthcoming Annual General Meeting.

Performance Graph

The Company's performance is measured against the Company's benchmark, the FTSE Fledgling (ex. Investment Companies) Index. The graph below compares the total return on the middle-market price of the Company's Ordinary shares over the five-year period to 31 August 2010 with the total return on the FTSE Fledgling (ex. Investment Companies) Index and on the FTSE All-Share Index over the same period.



Source: Thomson Datastream. Values rebased to 100.

Directors' Emoluments (Audited)

The emoluments of Directors who served during the accounting period ended 31 August 2010 were as follows:

	14-month period to 31 August 2010 £	Year to 30 June 2009 £
Jimmy West	**31,667**	26,000
Rod Birkett	**21,083**	16,042
Peter Dicks	**21,083**	17,500
John Hancox	**21,083**	17,500
James Kerr-Muir	**23,417**	19,500
	118,333	100,632

No other emoluments or pension contributions were paid to or on behalf of any Director.

John Hancox
Chairman of the Remuneration Committee

Approved by the Board on 28 October 2010

Independent Auditor's Report

To the Members of Gartmore Fledgling Trust plc

We have audited the financial statements of Gartmore Fledgling Trust plc for the 14-month period ended 31 August 2010 which comprise the Income Statement, the Reconciliation of Movement in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2010 and of its net return for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Independent Auditor's Report

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern (as set out on page 26); and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Caroline Gulliver (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 October 2010

Income Statement
to 31 August 2010

	Notes	Revenue £'000	Capital £'000	Total £'000
		Period to 31 August 2010		
Income and Capital Profits				
Gains on investments held at fair value through profit or loss	2	–	15,878	15,878
Income from investments	3	2,459	–	2,459
Other income	3	42	–	42
Net exchange loss		–	(2)	(2)
Return before Expenses, Finance Costs and Taxation		2,501	15,876	18,377
Expenses				
Management fees	4	(755)	–	(755)
VAT on management fees recovered	4	–	–	–
Other fees and expenses	4	(379)	(385)	(764)
Return before Finance Costs and Taxation		1,367	15,491	16,858
Finance Costs				
Interest payable	5	(38)	–	(38)
Return on Ordinary Activities before Taxation		1,329	15,491	16,820
Taxation	6	(12)	–	(12)
Return to Equity Shareholders after Taxation		1,317	15,491	16,808
Return per Ordinary share	8	7.02p	82.53p	89.55p

The total column above represents the Profit and Loss Account of the Company.

The revenue and capital items derive from continuing activities.

A Statement of Total Recognised Gains and Losses has not been presented as all gains and losses are recognised in the Income Statement.

No operations were acquired or discontinued during the year.

The Notes on pages 47 to 58 form part of these Accounts.

Income Statement
to 30 June 2009

	Notes	Revenue £'000	Capital £'000	Total £'000
		Year to 30 June 2009		
Income and Capital Profits				
Gains on investments held at fair value through profit or loss	2	–	4,279	4,279
Income from investments	3	2,062	-	2,062
Other income	3	169	–	169
Net exchange loss		–	2	2
Return before Expenses, Finance Costs and Taxation		2,231	4,281	6,512
Expenses				
Management fees	4	(443)	–	(443)
VAT on management fees recovered	4	739	–	739
Other fees and expenses	4	(280)	(292)	(572)
Return before Finance Costs and Taxation		2,247	3,989	6,236
Finance Costs				
Interest payable	5	(32)	–	(32)
Return on Ordinary Activities before Taxation		2,215	3,989	6,204
Taxation	6	(4)	–	(4)
Return to Equity Shareholders after Taxation		2,211	3,989	6,200
Return per Ordinary share	8	11.54p	20.81p	32.35p

The total column above represents the Profit and Loss Account of the Company.

The revenue and capital items derive from continuing activities.

A Statement of Total Recognised Gains and Losses has not been presented as all gains and losses are recognised in the Income Statement.

No operations were acquired or discontinued during the year.

The Notes on pages 47 to 58 form part of these Accounts.

Reconciliation of Movement in Shareholders' Funds

	Notes	Share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve* £'000	Total £'000
		Period to 31 August 2010				
At 30 June 2009		**4,729**	**5,569**	**58,840**	**2,126**	**71,264**
Net capital return from ordinary activities		**–**	**–**	**15,491**	**–**	**15,491**
Net revenue return from ordinary activities		**–**	**–**	**–**	**1,317**	**1,317**
Equity dividends paid	7	**–**	**–**	**–**	**(1,901)**	**(1,901)**
Repurchase and cancellation of Ordinary shares		**(80)**	**80**	**(1,175)**	**–**	**(1,175)**
At 31 August 2010		**4,649**	**5,649**	**73,156**	**1,542**	**84,996**

	Notes	Share capital £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve* £'000	Total £'000
		Year to 30 June 2009				
At 30 June 2008		4,946	5,352	57,020	1,265	68,583
Net capital return from ordinary activities		–	–	3,989	–	3,989
Net revenue return from ordinary activities		–	–	–	2,211	2,211
Equity dividends paid	7	–	–	–	(1,350)	(1,350)
Repurchase and cancellation of Ordinary shares		(217)	217	(2,169)	–	(2,169)
At 30 June 2009		4,729	5,569	58,840	2,126	71,264

*The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

The Notes on pages 47 to 58 form part of these Accounts.

Balance Sheet
at 31 August 2010

	Notes	At 31 August 2010 £'000	At 30 June 2009 £'000
Fixed Assets			
Investments held at fair value through profit or loss	9	**88,702**	69,158
Current Assets			
Debtors – amounts receivable within one year	12	**262**	1,963
Cash at bank		**117**	1,185
		379	3,148
Current Liabilities			
Creditors – amounts payable within one year	13	**(4,085)**	(1,042)
Net Current (Liabilities)/Assets		**(3,706)**	2,106
Net Assets		**84,996**	71,264
Capital and Reserves			
Called-up share capital	14	**4,649**	4,729
Capital redemption reserve	15	**5,649**	5,569
Capital reserve	16	**73,156**	58,840
Revenue reserve	17	**1,542**	2,126
Equity Shareholders' Funds		**84,996**	71,264
Net Asset Value per Ordinary share	18	**457.1p**	376.7p

The accounts were approved and authorised for issue by the Board of Directors on 28 October 2010 and were signed on its behalf by:

Jimmy West
Chairman

The Notes on pages 47 to 58 form part of these Accounts.

Cash Flow Statement
to 31 August 2010

	Notes	Period to 31 August 2010 £'000	Year to 30 June 2009 £'000
Operating Activities			
Dividends received from investments		**2,499**	2,320
Interest received on deposits		**2**	20
Underwriting commission		**40**	–
VAT reclaim interest received		**–**	149
VAT on management fees recovered		**–**	739
Expenses paid		**(1,034)**	(738)
Net Cash Inflow from Operating Activities	19	**1,507**	2,490
Servicing of Finance			
Bank overdraft interest paid		**(24)**	(32)
Investment Activities			
Acquisitions of investments		**(69,871)**	(43,741)
Disposals of investments		**66,799**	45,085
		(3,072)	1,344
Equity Dividends Paid			
Ordinary shares		**(1,901)**	(1,350)
Financing Activities			
Cost of Ordinary shares repurchased		**(1,176)**	(2,165)
Net Cash (Outflow)/Inflow		**(4,666)**	287
Reconciliation of Net Cash (Outflow)/Inflow to Movement in Net (Debt)/Cash			
Net cash at the beginning of the period		**1,185**	896
Net cash (outflow)/inflow		**(4,666)**	287
Net exchange (loss)/gain		**(2)**	2
Net (debt)/cash at the end of the period	20	**(3,483)**	1,185

The Notes on pages 47 to 58 form part of these Accounts.

Notes to the Accounts

1. Accounting Policies

The principal accounting policies have been applied consistently throughout the period ended 31 August 2010, are unchanged from the year ended 30 June 2009 and are set out below.

Basis of Preparation

The accounts have been prepared on a going concern basis in accordance with the Companies Act 2006, applicable UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and with the Statement of Recommended Practice ('SORP') for "Financial Statements of Investment Trust Companies and Venture Capital Trust" issued in January 2009 by The Association of Investment Companies.

Consolidation

The balance sheet of the Company's wholly-owned subsidiary, GFT Dealing Limited, has not been consolidated, as the subsidiary did not trade during the period from 20 October 2009, the date of its incorporation, to 31 August 2010 and the amounts are immaterial. The accounts therefore reflect the position of the parent Company, Gartmore Fledgling Trust plc, only and do not represent the accounts of the Group.

Revenue, Expenses and Interest Payable

Investment income includes dividends receivable from investments marked ex-dividend on or before the Balance Sheet date. Investment income is treated as revenue in the Income Statement, with the exception that dividends of a capital nature are treated as capital. Where the Company elects to receive its dividend in the form of additional shares rather than cash, the amount of cash dividend foregone is recognised as revenue in the Income Statement. Other income is accounted for on an accruals basis.

Management fees, other administrative expenses and interest payable are accounted for on an accruals basis and charged to the Income Statement as a revenue item.

The Board believes that any allocation of management fees to capital is inappropriate as it would distort the tracking of the Company's capital performance against the FTSE Fledgling Index. Accordingly, management fees are treated as a revenue item in the Income Statement.

Expenses which are incidental to the acquisition of an investment are expensed through the Income Statement as a capital item. Expenses which are incidental to the disposal of an investment are deducted from the proceeds of the sale of the investment.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed at the Balance Sheet date where transactions or events that result in any obligation to pay more, or right to pay less, tax in the future have occurred at the Balance Sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Company's taxable profits and its results as stated in the accounts, which are capable of reversal in one or more subsequent periods.

Dividends Payable

Dividends payable to shareholders are recognised in the period in which they are paid and are shown in the Reconciliation of Movement in Shareholders' Funds.

Investments

All investments are classified as held at fair value through profit or loss. They are initially recognised on the trade date and measured, then and subsequently, at fair value. Fair value is assumed to be the bid price, or last traded price where no bid price is available. Changes in fair value are included in the Income Statement as a capital item and are not distributable by way of a dividend.

An amendment to Financial Reporting Standard 29 'Financial Instruments - Disclosures' requires enhanced disclosure about fair value measurements. The additional disclosures resulting from this amendment are provided in note 22 on page 58.

No provision for taxation is required in respect of any realised or unrealised appreciation of investments which arises, as the Company expects to continue to qualify as an investment trust for tax purposes, thereby rendering capital profits exempt from tax.

Rates of Exchange

The Company is a UK listed company with a predominantly UK shareholder base. The results and financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. Transactions denominated in foreign currencies are calculated in sterling at the rate of exchange ruling at the date of such transactions. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, and the resulting gains or losses are taken to the capital return.

2. Gains/(Losses) on Investments held at Fair Value Through Profit or Loss

	Period to 31 August 2010 £'000	Year to 30 June 2009 £'000
Realised gains on disposal of investments	**13,850**	466
Unrealised investment holding losses recognised in earlier periods	**5,406**	9,777
Net realised gains on fair values at the previous balance sheet date	**19,256**	10,243
Unrealised investment holding losses arising during the period	**(3,378)**	(5,964)
	15,878	4,279

3. Dividends and Other Income

	Period to 31 August 2010 £'000	Year to 30 June 2009 £'000
Income from UK listed investments:		
Franked dividends	**1,991**	1,734
Overseas dividends	**468**	328
	2,459	2,062
Other income:		
Underwriting commission	**40**	–
Interest on bank deposits	**2**	20
VAT reclaim interest received	**–**	149
	42	169
	2,501	2,231

4. Expenses

	Period to 31 August 2010 £'000	Year to 30 June 2009 £'000
Revenue:		
Management fees	**755**	443
VAT on management fees recovered	**–**	(739)
	755	(296)
Other fees and expenses:		
Directors' fees	**118**	101
Auditors' remuneration – statutory audit	**21**	21
General expenses	**240**	158
	379	280
	1,134	(16)
Capital:		
Transaction costs incurred on acquisitions of investments	**385**	292

5. Interest Payable

	Period to 31 August 2010 £'000	Year to 30 June 2009 £'000
Bank overdraft	**38**	32

6. Taxation

	Period to 31 August 2010 £'000	Year to 30 June 2009 £'000
a) Analysis of charge in the period:		
Overseas tax	**12**	4
Total current tax charge for the period	**12**	4

b) Factors affecting current tax charge for the period:

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for an investment trust of 28% (2009: 28%). The differences are explained below:

	Period to 31 August 2010 £'000	Year to 30 June 2009 £'000
Total return on ordinary activities before taxation	**16,820**	6,204
Corporation tax at 28%	**4,710**	1,737
Effects of:		
Capital profits not subject to corporation tax	**(4,445)**	(1,199)
Dividends not subject to corporation tax	**(687)**	(497)
Expenses not deductible for tax purposes	**113**	86
Utilisation of excess management expenses	**–**	(127)
Management expenses not utilised	**309**	–
Overseas tax	**12**	4
Total current tax charge for the period	**12**	4

c) Provision for deferred taxation

The Company has not recognised a deferred tax asset of £3,107,000 (2009: £2,798,000) in respect of unrelieved management expenses and non-trading loan relationship deficits. It is unlikely that these amounts will be utilised in future accounting periods unless the investment policy of the Company or the tax treatment is changed.

7. Dividends on the Ordinary Shares

				Period to 31 August 2010 £'000	Year to 30 June 2009 £'000
Amounts recognised as distributions to Ordinary shareholders in the period:					
	Rate per share	No. of shares	Payment date		
2008 final	3.5p	19,613,580	1 October 2008	–	686
2009 interim	3.5p	18,966,080	20 March 2009	–	664
2009 final	4.0p	18,826,080	7 October 2009	**753**	–
2009 special	2.6p	18,826,080	7 October 2009	**490**	–
2010 interim	3.5p	18,796,080	31 March 2010	**658**	–
				1,901	1,350

The total dividend payable in respect of the financial period, which is the basis on which the requirements of Section 1159 Corporation Tax Act 2010 are considered, is set out below:

	Rate per share	No. of shares	Payment date		
2009 interim	3.5p	18,966,080	20 March 2009	–	664
2009 final	4.0p	18,826,080	7 October 2009	–	753
2009 special	2.6p	18,826,080	7 October 2009	–	490
2010 interim	3.5p	18,796,080	31 March 2010	**658**	–
2010 final*	4.0p	17,941,580	8 December 2010	**718**	–
				1,376	1,907
Revenue available for distribution by way of dividend				**1,317**	2,211

*The cost of the final dividend is based on the number of Ordinary shares in issue as at 27 October 2010. This figure may change as a result of further repurchases of Ordinary shares for cancellation prior to the ex-dividend date of 10 November 2010.

8. Total Return per Ordinary Share

	Period to 31 August 2010 £'000	Year to 30 June 2009 £'000
Revenue return after taxation	**1,317**	2,211
Capital return after taxation	**15,491**	3,989
Total return after taxation	**16,808**	6,200
Weighted average number of shares in issue	**18,770,315**	19,167,683
Revenue return per Ordinary share	**7.02p**	11.54p
Capital return per Ordinary share	**82.53p**	20.81p
Total return per Ordinary share	**89.55p**	32.35p

9. Investments held at Fair Value through Profit or Loss

	Period to 31 August 2010 £'000	Year to 30 June 2009 £'000
Opening book-cost	**94,001**	95,957
Acquisitions at cost (excluding transaction costs)	**68,813**	44,324
Proceeds of disposals* (net of transaction costs)	**(65,147)**	(46,746)
Realised gains on disposals	**13,850**	466
Disposals at cost	**(51,297)**	(46,280)
Closing book-cost	**111,517**	94,001
Unrealised investment holding losses	**(22,815)**	(24,843)
Valuation of investments	**88,702**	69,158

The investments are all equities which are either listed in the United Kingdom or traded on the Alternative Investment Market in the UK and are included in the Balance Sheet at fair value.

Analysis of investments by place of listing:

London Stock Exchange	**87,303**	68,308
Alternative Investment Market	**1,399**	850
Valuation of Investments	**88,702**	69,158

The Company's investments are registered in the name of nominees of, and held to the order of, The Bank of New York Mellon, as custodians to the Company. There were no contingent liabilities in respect of the investments held at the year-end.

*Proceeds of disposals of investments includes special dividends of £128,000 (2009: £487,000).

	Period to 31 August 2010 £'000	Year to 30 June 2009 £'000
The following transaction costs were incurred during the period:		
On acquisitions	**385**	292
On disposals	**163**	120
	548	412

10. Significant Interests

At 31 August 2010 the Company held interests amounting to 3% or more of any class of capital in the following investee companies:

	% of class		% of class
Abbeycrest	12.6	Future	4.4
Uniq	9.2	Nestor Healthcare	4.3
Source BioScience	8.3	Asterand	4.2
Parity	8.3	Harvey Nash Group	4.1
NXT	8.0	Trifast	4.0
Beale	7.5	Worthington	4.0
Filtronic	7.1	Renold	3.8
Alexon	7.0	Creston	3.8
Phytopharm	6.7	Vislink	3.8
Dawson Holdings	6.0	STV	3.8
Porvair	5.6	Dee Valley Group	3.7
Manganese Bronze	5.6	600 Group	3.7
Blacks Leisure	5.4	Gresham Computing	3.7
Waterman	5.2	French Connection	3.6
Flying Brands	5.2	Mallett	3.6
Ark Therapeutics	5.2	Alexandra	3.6
Alpha Pyrenees Trust	5.1	Jersey Electricity	3.6
Luminar Group	5.0	Carr's Milling Industries	3.6
Air Partner	5.0	Cadogan Petroleum	3.6
Vernalis	4.9	Alizyme	3.6
Moss Bros	4.9	GB Group	3.6
Molins	4.8	AXA Property Trust	3.5
Styles & Wood	4.7	MacFarlane	3.4
AEA Technology	4.7	Electronic Data Processing	3.4
Avon Rubber	4.6	Sinclair Pharma	3.3
Zotefoams	4.6	Walker Crips Weddle Beck	3.2
Acal	4.6	Puricore	3.2
Antisoma	4.6	Tamar European Industrial Fund	3.2
Harvard International	4.6	Havelock Europa	3.2
Communisis	4.5	Superglass Holdings	3.1
Cosalt	4.4	Caffyns	3.1
Central Rand Gold	4.4	Haynes Publishing	3.1

11. Investment in Subsidiary

The Company owns the whole of the issued ordinary share capital (£1) of GFT Dealing Limited, a dealing company incorporated and registered in England and Wales on 20 October 2009. The subsidiary did not trade during the period to 31 August 2010.

12. Debtors

	As at 31 August 2010 £'000	As at 30 June 2009 £'000
Amounts receivable within one year:		
Investments sold	**73**	1,725
Prepaid expenses	**13**	11
Accrued income	**174**	226
Other debtors	**2**	1
	262	1,963

13. Creditors

	As at 31 August 2010 £'000	As at 30 June 2009 £'000
Amounts payable within one year:		
Investments purchased	**212**	885
Accrued expenses and interest	**273**	157
Bank overdraft	**3,600**	–
	4,085	1,042

The Company has an overdraft facility of £9,000,000 (2009: £9,000,000) with The Royal Bank of Scotland plc. Interest on amounts drawn is charged at 1.5% over the bank's base rate. Drawings on the facility are repayable on demand.

14. Called-up Share Capital

	Authorised	
	As at 31 August 2010 £'000	As at 30 June 2009 £'000
100,000,000 Ordinary shares of 25p each	**25,000**	25,000

	Allotted, Called-up and Fully-Paid	
	As at 31 August 2010 £'000	As at 30 June 2009 £'000
18,594,580 (2009: 18,916,080) Ordinary shares of 25p each	**4,649**	4,729

During the 14-month period to 31 August 2010, the Company repurchased 321,500 (2009: 867,000) Ordinary shares at a cost of £1,175,000 (2009: £2,169,000). The shares repurchased represented approximately 1.7% of the Company's issued share capital as at 30 June 2009 and reduced the number of Ordinary shares from 18,916,080 to 18,594,580.

15. Capital Redemption Reserve

	As at 31 August 2010 £'000	As at 30 June 2009 £'000
Balance brought forward	**5,569**	5,352
Nominal value of Ordinary shares repurchased	**80**	217
Balance carried forward	**5,649**	5,569

16. Capital Reserve	**As at 31 August 2010 £'000**	As at 30 June 2009 £'000
Balance brought forward	**58,840**	57,020
Gains on disposal of investments	**13,850**	466
Investment holding gains	**2,028**	3,813
Transaction costs incurred on acquisitions of investments	**(385)**	(292)
Cost of shares repurchased	**(1,175)**	(2,169)
Net exchange (loss)/gain	**(2)**	2
Balance carried forward	**73,156**	58,840

The split of capital reserve between realised and investment holding losses in order to determine distributable profits (those reserves which are considered to be readily convertible into cash) is as follows:

	As at 31 August 2010 £'000	As at 30 June 2009 £'000
Realised	**95,971**	83,683
Investment holding losses	**(22,815)**	(24,843)
	73,156	58,840

17. Revenue Reserve	**As at 31 August 2010 £'000**	As at 30 June 2009 £'000
Balance brought forward	**2,126**	1,265
Net revenue return for the period	**1,317**	2,211
Dividends paid on Ordinary shares	**(1,901)**	(1,350)
Balance carried forward	**1,542**	2,126

18. Net Asset Value per Ordinary Share

The Net Asset Value per Ordinary share and Net Assets attributable to the Ordinary shares at the period-end were as follows:

	As at 31 August 2010	As at 30 June 2009
Net Assets attributable to Ordinary shareholders	**£84,996,000**	£71,264,000
Ordinary shares in issue	**18,594,580**	18,916,080
Net Asset Value per Ordinary share	**457.1p**	376.7p

19. Cash Flow from Operating Activities	**Period to 31 August 2010 £'000**	Period to 30 June 2009 £'000
Total return before finance costs and taxation	**16,858**	6,236
Less: capital return before finance costs and taxation	**(15,491)**	(3,989)
Revenue return before finance costs and taxation	**1,367**	2,247
Decrease in accrued income	**52**	261
(Increase)/decrease in prepaid expenses	**(2)**	6
Increase /(decrease) in accrued expenses	**102**	(20)
Overseas tax withheld	**(12)**	(4)
Net cash inflow from operating activities	**1,507**	2,490

20. Analysis of Changes in Net Cash/(Debt)

	At 30 June 2009 £'000	Cash Flow £'000	Exchange loss £'000	**At 31 August 2010 £'000**
Cash at bank	1,185	(1,066)	(2)	**117**
Bank overdraft	–	(3,600)	–	**(3,600)**
	1,185	(4,666)	(2)	**(3,483)**

21. Transactions with the Manager

Management fees were paid to Gartmore Investment Limited at the rate disclosed in the Report of the Directors, on page 23. Fees payable for the 14-month period to 31 August 2010 amounted to £755,000 (year to 30 June 2009: £443,000). At the Balance Sheet date, management fees totalling £164,000 (2009: £90,000) were accrued.

22. Financial Instruments: Risk Management

The Directors manage investment risk principally through setting an investment policy (see page 2) that is approved by shareholders, by delegating management of the Company's investments to an investment manager under an agreement which incorporates appropriate duties and restrictions, and by monitoring performance in relation thereto. The Board's relationship with the investment manager is set out on page 33 of this Report. Internal control procedures and the Board's approach to risk is summarised on pages 36 and 37.

In pursuit of its investment objective (see page 2), the Company is faced with a variety of risks which could result in either a reduction in the Company's net assets or a reduction in the revenue available for distribution by way of dividend. The principal risks associated with the Company's financial instruments are market risk, liquidity risk and credit risk.

Market risk

Market risk comprises three types of risk: market price risk, interest rate risk and currency risk.

Market price risk

The Company is an investment company and as such its performance is dependent on the performance of the companies and securities in which it invests. Consequently, market price risk is the most significant to which the Company is exposed. The Company's investment objective and policy require it to invest predominantly in the constituents of the FTSE Fledgling (ex. Investment Companies) Index. At 31 August 2010, companies comprising the Fledgling Index represented the smallest 0.14% of the UK listed equity market by market capitalisation. Fledgling companies are, by their very nature, riskier and significantly less liquid than larger companies an as a result their share prices tend to more volatile. The principal risk characteristics of the portfolio and the key differences between the Fledgling Index and the FTSE All-Share Index are described in the Manager's Review on pages 11 to 17.

At 31 August 2010, the fair value of the Company's assets exposed to market price risk was £88,702,000 (2009: £69,158,000). The fair value of the investments in the portfolio is normally their bid-market price.

The market price of the investee companies' shares is subject to their performance, supply and demand for the shares and investor sentiment regarding the companies, or their industry sectors. The increase in the value of assets exposed to market risk was attributable principally to a rise in the market prices of investments held.

The maximum percentage of the Company's assets which may comprise the active investment overlay is 35%.

22. Financial Instruments: Risk Management (continued)

In addition, the investment manager may invest up to 20% of the Company's assets in AIM-traded companies which were formerly admitted to trading on the Official List and which meet the Fledgling Index market capitalisation criteria. By increasing the level of active investment overlay, certain investments may represent a more significant proportion (and others a lesser proportion) of the Company's total assets. Also, an investment in shares traded on AIM may be less liquid and may carry a higher risk than an investment traded on the Official List. As a result, the risk that the Company's performance will be adversely affected if any one of the investments comprising the active overlay were to perform badly is greater than would be the case if the Company's portfolio of investments were more diversified. As a consequence, the Company's returns may diverge from those of the Fledgling Index.

At 31 August 2010, the active investment overlay represented approximately 22% (2009: 18%) of the investment portfolio by value, of which 1.6% (2009: 1.2%) was in AIM-traded stocks.

The net increase in the benchmark index over the 10-year period to 31 August 2010 was 97.4%, with the annual movement over that period averaging 18.6%. This illustrates the volatility of the Fledgling sector and indicates that it could move by a similar percentage in the forthcoming financial year. Accordingly, to illustrate the Company's sensitivity to market prices, an 18.6% change in the market value of the equity portfolio at 31 August 2010 would generate a corresponding increase or decrease in the net asset value per Ordinary share of 19.5% and, because of the effect of the management fee, would have a converse effect on revenue return of approximately 0.7p per Ordinary share. The effect on capital return would be materially the same as the effect on net assets.

Interest rate risk

The Company finances part of its activities through the use of a short-term overdraft facility of £9,000,000 provided by the Royal Bank of Scotland. Drawings on the facility are made from time to time to facilitate periodic rebalancing of the portfolio, are normally short term in nature and, when made, are generally arranged on a rolling weekly basis. The interest rate is 1.5% above the Bank's fluctuating base rate and no hedging of the rate is undertaken. The Manager minimises the risk of exposure to excessive interest costs by monitoring the Company's cash position on a regular basis. During the 14-month period to 31 August 2010, the maximum drawing on the overdraft facility was £5,700,000 (2009: £5,625,000). The weighted average interest rate paid was 2.0% (2009: 2.4%).

The Company also earns interest on its cash and short-term deposits although, generally, cash balances held are not significant. Where funds are placed on deposit, they are rarely fixed for periods of more than one week.

At the period-end, financial assets and liabilities exposed to floating interest rates were as follows:

	As at 31 August 2010 £'000	As at 30 June 2009 £'000
Financial Assets:		
Cash at bank	**117**	1,185
Financial Liabilities:		
Bank overdraft	**3,600**	–

The Company has no direct exposure to fixed interest rates.

The period-end amounts are not representative of the exposure to interest rates either during the period just ended or in the period ahead, since the level of borrowings and/or cash held are determined to a great extent by the level of takeovers in the Fledgling sector and by the effects of the annual rebalancing. However, to illustrate the potential sensitivity to changes in interest rates, if the overdraft facility of £9,000,000 was fully drawn, a change of 0.5% in the rate of interest charged would, over the course of a period, amount to £45,000, less than 0.1% of period-end net assets.

22. Financial Instruments: Risk Management (continued)

Interest rate changes may have an impact on the earnings of companies held within the portfolio and therefore may have a significant impact on the market value of the Company's investments.

Currency risk

At 31 August 2010, all the Company's investments were priced in sterling. Although there may be occasions when the Company will hold investments denominated in currencies other than sterling, the Company's exposure to movements in exchange rates relative to sterling is unlikely to have a material adverse impact on either the value of the portfolio or on the revenue return.

Credit risk

Credit risk is the Company's exposure to financial loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits. The Company manages credit risk by using brokers from a database of approved financial institutions who have undergone rigorous due diligence tests by the Manager's Risk Management Team and by dealing through Gartmore Investment Limited with banks approved by the Financial Services Authority.

At 31 August 2010, the maximum exposure to credit risk was £364,000 (2009: £3,136,000), comprising:

	As at 31 August 2010 £'000	As at 30 June 2009 £'000
Cash at bank	**117**	1,185
Investments sold awaiting settlement	**73**	1,725
Accrued income	**174**	226

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of default is considered to be low.

Liquidity risk

Liquidity risk is the possibility of the Company failing to realise sufficient assets to meet its financial obligations.

The Company minimises this risk by investing in primarily marketable securities which can be expected to generate cash inflows and by ensuring that it has adequate cash and credit facilities in place to meet cash outflows on liabilities. The Company's liquidity is held in sterling, almost entirely on interest-bearing current accounts or short-term deposits in the money market. Deposits are rarely fixed for terms in excess of one week and, if amounts are substantial, placed with different deposit takers so that, at any given time, deposits do not exceed £2,500,000 with any one deposit taker.

At 31 August 2010, the fair value of financial liabilities was £485,000 (2009: £1,042,000), comprising:

	As at 31 August 2010 £'000	As at 30 June 2009 £'000
Due within one month:		
Investments purchased awaiting settlement	**212**	885
Accrued expenses and interest	**273**	157

Gearing

The Company does not use gearing as a strategic tool. However, the Company does have in place an overdraft facility of £9,000,000 which is used from time to time to facilitate rebalancing of the portfolio. The facility is also used occasionally to fund share buy-backs and corporate actions, including placings and open offers. At 31 August 2010, the amount drawn on the facility was £3,600,000 (2009: nil).

As noted above in the section dealing with interest rate risk, the level of borrowings and/or cash held during the period are determined to a great extent by the level of takeovers in the Fledgling sector and by the effects of the annual rebalancing.

22. Financial Instruments: Risk Management (continued)

Fair Value Hierarchy

The Company adopted the amendments to FRS29 'Financial Instruments: Disclosures' effective for periods beginning on or after 1 January 2009. These amendments require an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of these inputs used in making the measurements. The fair value hierarchy shall have the following levels:

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Financial assets and liabilities measured at fair value are grouped into the fair value hierarchy at 31 August 2010 as follows:

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss					
Quoted equities	a)	88,702	–	–	88,702
Net fair value		88,702	–	–	88,702

a) Quoted equities

The fair value of the Company's investments in quoted equities has been determined by reference to their quoted bid prices at the reporting date. Quoted equities included in Level 1 are actively traded on recognised stock exchanges.

23. Capital Management Policies and Procedures

The Company's capital is represented by its net assets, which are managed to achieve the Company's investment objective set out on page 2.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

(i) the planned level of gearing through the Company's overdraft facility;

(ii) the need to buy back or issue equity shares; and

(iii) the determination of dividend payments.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company is subject to externally imposed capital requirements through the Companies Act, with respect to its status as a public company.

In addition, with respect to the obligation and ability to pay dividends, the Company must comply with the provisions of section 1159 Corporation Tax Act 2010 and the Companies Act respectively.

These provisions are unchanged since the previous period and the Company has complied with them.

Notice of Annual General Meeting

THIS NOTICE OF ANNUAL GENERAL MEETING IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your holding in Gartmore Fledgling Trust plc, please send this document, together with the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Gartmore Fledgling Trust plc will be held at Gartmore House (see page 67), 8 Fenchurch Place, London EC3M 4PB, on Wednesday, 1 December 2010 at 11.30 a.m. for the following purposes

ORDINARY BUSINESS

To consider and, if thought fit, to pass the following resolutions, which will be proposed as Ordinary Resolutions:

TO:

1. receive the Report of the Directors and the Accounts for the period ended 31 August 2010, together with the Report of the Auditor;
2. approve a final dividend of 4.0 pence per Ordinary share;
3. approve the Directors' Remuneration Report for the period ended 31 August 2010;
4. appoint Mr Robert Jeens as a Director;
5. re-elect Mr Peter Dicks as a Director;
6. re-elect Mr John Hancox as a Director;
7. re-elect Mr Jimmy West as a Director;
8. to re-appoint Ernst & Young LLP as Auditor and to authorise the Directors to fix the Auditor's remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution, which will be proposed as an Ordinary Resolution:

THAT:

9. the Company shall continue to operate as an investment trust company.

To consider and, if thought fit, to pass the following resolutions, which will be proposed as Special Resolutions:

THAT:

10. the Company be and is hereby generally and unconditionally authorised, in accordance with Section 701 of the Companies Act 2006 (the "Act"), to make one or more market purchases (within the meaning of Section 693 of the Act) of Ordinary shares of 25 pence each in the capital of the Company provided that:

    (a) the maximum number of Ordinary shares hereby authorised to be purchased shall be 14.99% of the Company's issued Ordinary share capital at 1 December 2010, the date of the Annual General Meeting (equivalent to approximately 2,689,000 Ordinary shares at 27 October 2010);

(b) the minimum price which may be paid for one Ordinary share shall be 25 pence;

(c) the maximum price which may be paid for one Ordinary share shall be an amount equal to the highest of (i) 105% of the average of the middle market quotations for an Ordinary share as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the Ordinary share is purchased; or (ii) the price of the last independent trade; or (iii) the highest current independent bid;

(d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the earlier of the date falling 15 months after the passing of this resolution and the conclusion of the next Annual General Meeting of the Company; and

(e) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary shares pursuant to any such contract.

11. (a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and

(b) the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

12. the period of notice required for calling general meetings of the Company, other than annual general meetings, shall be not less than 14 clear days.

By Order of the Board
GARTMORE INVESTMENT LIMITED
Company Secretary
28 October 2010

Notes:

1. Please refer to the Report of the Directors on pages 27 and 29 for further information on the Business of the Meeting.
2. A Form of Proxy is enclosed for use in connection with the business set out above. To be effective, the Form of Proxy must be deposited at the offices of the Company's Registrars not less than 48 hours before the time fixed for the Meeting or any adjournment thereof.
3. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to exercise all or any of his or her rights, to attend, speak and, on a poll, vote instead of him/her, provided that each proxy is appointed to exercise rights attached to different shares. A member can only appoint a proxy using the procedures set out in these notes and the notes on the Form of Proxy. A member may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not also be a member of the Company but must attend the Meeting to represent you.
4. The return of a completed Form of Proxy, or such other instrument or any CREST Proxy Instruction (as described in the Special Notes on electronic proxy appointment through CREST on page 62), will not prevent a member from attending the Meeting and voting in person if he/she wishes to do so.
5. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of Ordinary shares registered on the Company's Register of Members at 6.00 p.m. on 29 November 2010 shall be entitled to attend and vote at the Meeting in respect of Ordinary shares registered in their name at that time. Changes to entries on the Register of Members after 6.00 p.m. on 29 November 2010 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
6. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the Form of Proxy are set out in the notes on the Form of Proxy. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
7. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a ''Nominated Person'') may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member by whom he/she was nominated as to the exercise of voting rights. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.
8. The statement of the rights of members in relation to the appointment of proxies in Note 3 does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by members of the Company.
9. Corporate representatives have the same rights to attend and vote at the meeting as the shareholder that appointed them could have exercised if it were an individual member (provided, in the case of multiple corporate representatives of the same corporate shareholder, they are appointed in respect of different shares owned by the corporate shareholder or, if they are appointed in respect of those same shares, they vote those shares in the same way). To be able to attend and vote at the Meeting, corporate representatives will be required to produce prior to their entry to the Meeting evidence satisfactory to the Company of their appointment. Corporate shareholders can also appoint one or more proxies in accordance with Note 3. However, if multiple corporate representatives purport to vote the same block of shares in different ways, they will be treated as not having voted. It is no longer necessary to nominate a designated corporate representative.
10. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the relevant joint holding.
11. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interest in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3 per cent. or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.
12. As at 27 October 2010 (being the last practicable date prior to the publication of this Notice), the Company's issued share capital comprises 17,941,580 Ordinary shares, with each share carrying the right to one vote. Therefore, the total voting rights in the Company as at 27 October 2010 are 17,941,580.

13. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.
14. In accordance with section 311A of the Companies Act 2006, the contents of this Notice of Annual General Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.gartmorefledglingtrust.co.uk.
15. Members should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Company's annual general meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Company's annual general meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
16. The Register of Directors' Interests in the capital of the Company will be available for inspection at the Meeting.
17. No Director has a contract of service with the Company. A copy of the generic terms and conditions of appointment for the non-executive Directors will be available for inspection at the registered office of the Company during normal business hours on Monday to Friday (public holidays excepted) from the date of this document up to and including the date of the Meeting and on the morning of the Meeting from 15 minutes prior to the Meeting until its conclusion.
18. A copy of this Notice of Annual General Meeting is available on the Company's website, www.gartmorefledglingtrust.co.uk and from the Manager's website www.gartmore.co.uk.
19. You may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
20. This Report is forwarded to the address at present registered for communications. Members are requested to notify the Company's Registrars of any change of address.

Special Notes on electronic proxy appointment through CREST:

(i) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com/CREST).

(ii) CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual.

(iii) The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must (in order to be valid) be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

(iv) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Explanatory Notes to the Notice of Annual General Meeting of the principal changes to the Company's Articles of Association

It is proposed in Resolution 11 to adopt new articles of association (the New Articles) in substitution for and in order to update the Company's current articles of association (the Current Articles), primarily to take account of changes in English company law brought about by the coming into force of the Shareholders' Rights Regulations and the implementation of the last parts of the Companies Act 2006.

The principal changes introduced in the New Articles are summarised in this Appendix. Other changes, which are of a minor, technical or clarifying nature and also some other minor changes which merely reflect changes made by the Companies Act 2006 and the Shareholders' Rights Regulations have not been noted in this Appendix.

1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further the Companies Act 2006 states that, unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, have been treated as forming part of the Company's articles of association. Resolution 11(a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

2. Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

3. Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006.

4. Use of seals

The New Articles provide an alternative option for execution of documents. Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

5. Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Innovation and Skills.

6. Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The Current Articles have been amended to reflect these changes.

7. Voting by corporate representatives

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments. The New Articles remove provisions in the Current Articles dealing with voting by corporate representatives on the basis that they are dealt with in the Companies Act 2006.

8. Electronic conduct of meetings

Amendments made to the Companies Act 2006 by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The Current Articles have been amended to reflect more closely the relevant provisions.

9. Chairman's casting vote

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

10. Notice of general meetings

The Shareholders' Rights Regulations amend the Companies Act 2006 to require the company to give 21 clear days' notice of general meetings unless the company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 clear days has been passed. Annual general meetings must be held on 21 clear days' notice. The New Articles amend the provisions of the Current Articles to be consistent with the new requirements.

11. Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

Financial Calendar

Key dates for 2010/2011 are set out below:

29 October	Annual results announced
1 December	Annual General Meeting
8 December	Final dividend payable
December	Interim Management Statement
28 February	Company's half-year
April	Half-year results announced
May	Interim dividend payable
June	Interim Management Statement
31 August	Company's year-end

Shareholder Information

Annual General Meeting

This year's Annual General Meeting will be held at Gartmore House, 8 Fenchurch Place, London EC3M 4PB, on Wednesday, 1 December 2010 at 11.30 a.m.

Price and Performance Information

The Company's Ordinary shares are listed on the Official List of the UK Listing Authority and are traded on the main market of the London Stock Exchange. The closing mid-market price is published in the Financial Times and The Daily Telegraph under 'Investment Companies'.

Real-time share price information is available on 09058 171 690. Calls to this number are charged at 75p per minute from a BT landline. The cost of calls from other telephone networks may be higher and from mobiles will be considerably more.

The Company's Net Asset Value is calculated daily and can be viewed on the London Stock Exchange website: www.londonstockexchange.com. Further information can be obtained from Gartmore as follows:

Investor helpline:	0800-289 336 (calls are free from a BT landline)
Internet address:	www.gartmorefledglingtrust.co.uk or www.gartmore.co.uk
E-mail address:	helpline@gartmore.com

ISIN/SEDOL Number

The International Securities Identifying Number (ISIN) of the Company's Ordinary shares is GB0003719225. The SEDOL (Stock Exchange Daily Official List) number is 0371922. The TIDM code is GMF.

Payment of Dividends

Cash dividends will be sent by cheque to the first-named shareholder on the Register at their registered address, together with a tax voucher. At shareholders' request, dividends may instead be paid direct into the shareholder's bank account through the Bankers' Automated Clearing System (BACS). This may be arranged by contacting the Company's Registrars, whose contact details are provided below.

Share Register Enquiries

The Company's Registrars, Equiniti Limited, maintain the share register. In the event of queries regarding your holding, please contact the Registrars on 0871 384 2428. Calls to this number are charged at 8p per minute from a BT landline. Calls from other telephone networks may be higher and from mobiles will be considerably more. Alternatively, there is now a range of shareholder information available online. You can check your holding and find practical help on transferring shares or updating your details at www.shareview.co.uk. Changes of name or address must be notified in writing to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Shareholder Information

Share Dealing

Investors wishing to purchase Ordinary shares in the Company, or sell all or part of their existing holdings, may do so through a stockbroker. Most banks also offer this service. See also page 68 for investing in Gartmore investment trusts.

Gartmore SAVEit and Gartmore Investment ISAit Enquiries

Details of the Gartmore Savings Plan, SAVEit, and the tax-free Individual Savings Account, Gartmore Investment ISAit, are set out on page 68 of this Report. These offer individuals a simple and cost effective means of buying shares in the Company. Enquiries about SAVEit, ISAit should be directed to:

Investor helpline	– 0800 289 336 (calls are free from a BT landline)
Administration helpline	– 0870 601 6133
Administration fax	– 0870 888 3033
E-mail address	– helpline@gartmore.com

Fastsheets

A Factsheets booklet, which contains statistics for the whole range of Gartmore managed investment trusts, is published regularly and is available on request from Gartmore Investment Limited, Gartmore House, 8 Fenchurch Place, London EC3M 4PB, or call free on 0800 289 336.

Capital Gains Tax

Under present legislation, the annual capital gains of private individuals in excess of £10,100 are subject to tax at a flat rate of 28%. Investment trust companies are able to switch investments without liability to capital gains tax subject to satisfying the conditions of Section 1159 of the Corporation Tax Act 2010 for the period in question.

The Association of Investment Companies

The Company is a member of The Association of Investment Companies, which produces monthly publications of detailed information on the majority of investment trusts. This information is also available on the Association's website, www.theaic.co.uk. The Association of Investment Companies can be contacted by telephone on 020 7282 5555, or by post to 9th floor, 24 Chiswell Street, London EC1Y 4YY.

Corporate Information

Administration

Manager and Secretary

Gartmore Investment Limited
Gartmore House
8 Fenchurch Place
London
EC3M 4PB

Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Independent Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Company Broker

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Registered Office

Gartmore House
8 Fenchurch Place
London
EC3M 4PB

Registered No. 2974633

England and Wales

Gartmore Investment Trusts

The aims of the investment trusts managed by Gartmore are as follows:

Gartmore European Investment Trust p.l.c.
Long-term capital growth from investment in Continental Europe, with a focus on larger companies.

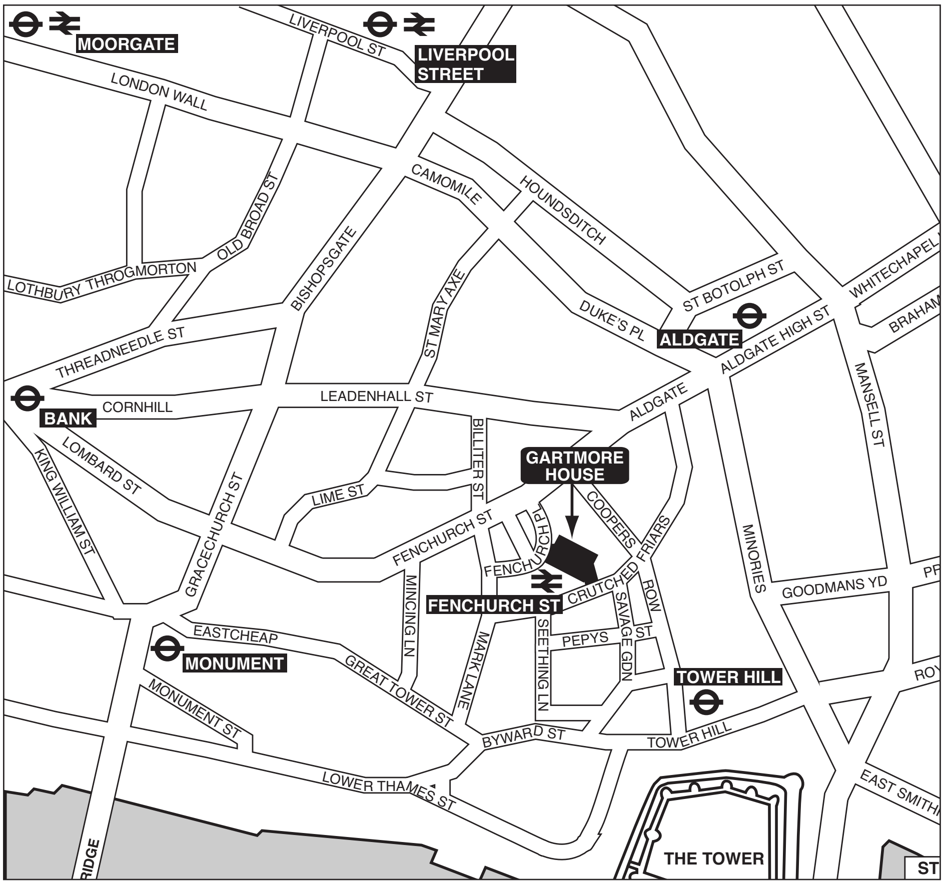
Gartmore Fledgling Trust plc
Long-term growth in capital and dividends from investment predominantly in the constituents of the FTSE Fledgling (ex. Investment Companies) Index. The investment policy combines indexation with an active overlay.

Gartmore Global Trust PLC
Long-term capital growth from a concentrated portfolio of international equities with a secondary objective to increase dividends over the longer term.

Gartmore Growth Opportunities plc
Capital appreciation from investment primarily in the shares of quoted UK smaller companies.

Gartmore Irish Growth Fund PLC
Long-term capital growth through investment in quoted companies, which are either incorporated in the Republic of Ireland or Northern Ireland or, if elsewhere, derive the majority of their turnover or profits from the Republic of Ireland or Northern Ireland.

How to Find Us



The entrance to Gartmore House is adjacent to Fenchurch Street Railway Station on Fenchurch Place.

Investing in Gartmore Investment Trusts

Gartmore Investment Limited offers savings schemes that provide a simple and cost effective means of buying Gartmore investment trust shares. You can use these schemes to invest on a regular savings basis, for lump sum investments or a combination of each. Details of these products are listed below. You can also buy Gartmore investment trust shares through a stockbroker, the Company's registrar or indirectly via a lawyer, accountant or other independent financial adviser. A number of banks also offer this service. Before investing please read the Key Features Document, which is available on request and on the Gartmore website.

Gartmore SAVEit ("SAVEit") – a low-cost, easy to use and flexible savings scheme
Regular savings from £50 per month   Lump sum investments from £1,000
SAVEit is the savings scheme for investment trusts managed by Gartmore. Any income can be reinvested or, alternatively, paid to your bank or building society account. There is a dealing fee on share purchases of just 1% and no annual* or exit fees. Moreover, you may switch from one Gartmore trust to another within the scheme at a cost of only 1% of the repurchase value. There is no maximum investment level.

Gartmore Investment ISAit ("ISAit") – a tax-efficient way to invest
Regular savings from £50 per month   Lump sum investments from £1,000
ISAit is the Individual Savings Account (ISA) for investment trusts managed by Gartmore. An ISA is a tax-efficient savings account. Investments held within Gartmore Investment ISAit are not subject to capital gains tax. ISAit allows you to invest, via a Stocks and Shares ISA, up to a maximum of £10,200 per person each tax year. There is an annual fee of 0.5%* (plus VAT) and no initial charge. Switches from one Gartmore trust to another within the scheme are available at a cost of only 1% of the repurchase value.

* Please note that in addition to any scheme charges paid by savers the investment trust companies bear their own operating costs which include investment management fees (see website).

How to receive further information
Write to: Gartmore Investor Services, Gartmore House, 8 Fenchurch Place, London EC3M 4PB
Call free: 0800 289 336   E-mail: helpline@gartmore.com
Internet:www.gartmore.co.uk
Telephone calls may be recorded for monitoring and training purposes.

Important Information
If you have any doubts as to whether these products are suitable for you and wish to obtain personal advice, please contact an Independent Financial Adviser. The value of investment trust shares and the income from them may go down as well as up and you may not get back your original investment. The past performance of investment trusts is not a guide to future performance. Funds investing in overseas securities are exposed to and can hold currencies other than sterling. As a result, exchange rate movements may cause the value of investments to decrease or increase. Emerging markets tend to be more volatile than more established stock markets and therefore your money is at greater risk. Other risk factors such as political and economic conditions should also be considered. Smaller companies are riskier and less liquid than larger companies which means their share price may be more volatile. Investment trusts can borrow money to make additional investments on top of shareholders' funds (gearing). If these investments fall in value, gearing will magnify the impact on performance. Particular share classes may also be structurally geared by other share classes that have earlier entitlement to the investment trust's assets up to a predetermined limit. If an investment trust incorporates a large amount of gearing, its value may be subject to sudden and large falls in value and you could get back nothing at all. Where investment trust companies are involved in corporate activity, this may change the risk profile of individual shares, as well as impacting on the portfolio strategy, capital structure and duration of the overall company. Gartmore's investment trusts are permitted to use derivative instruments with the intention of improving returns or reducing the fund's volatility, although this outcome is not guaranteed. Derivatives are financial instruments which derive their value from an underlying security, such as equities or bonds. A rigorous risk management process runs alongside our use of derivatives to ensure that funds do not take undue levels of risk. The value of current tax relief depends on individual circumstances. If you have doubts about your tax position you should seek professional advice. The level of yield may be subject to fluctuation and is not guaranteed. Some or all, of the annual management fee may be currently charged to the capital of the company. Whilst this increases the yield, it will restrict the potential for capital growth. Investment trust shares may trade at a discount or a premium to the value of the investment trust's assets. Net Asset Value performance is not the same as share price performance and investors' returns may not equate to Net Asset Value performance. Where an investment trust holds a limited number of investments and one or more of those investments declines or is otherwise adversely affected, it may have a more profound effect on the investment trust's value than if a larger number of investments were held. If you choose to reinvest dividends to buy more shares in the same investment trust that paid the dividend, you should be aware that this will increase your investment risk exposure to the investment performance of that company. Investment trusts which specialise by investing in a particular region or market sector are more risky than those which hold a very broad spread of investments. ISA regulations have recently been reviewed by HM Treasury. However, they are still subject to Government legislation and as such their tax benefits and investment levels may be changed in the future.

Issued by Gartmore Investment Limited, which is authorised and regulated by the Financial Services Authority.

Glossary of Terms

AIM
AIM is the London Stock Exchange's international market for smaller growing companies.

Benchmark
The Company's benchmark is the FTSE Fledgling (ex. Investment Companies) Index. Prior to 31 December 1996, the benchmark was the MicroCap Index. The FTSE Fledgling (ex. Investment Companies) Index was established by the FTSE Actuaries UK Indices Committee as part of their range of indices measuring the performance of UK equities.

Beta
A measure of portfolio responsiveness to market movements. The benchmark index has a beta of 1. A beta of 1.05, for example, means that, if the benchmark rose by 20%, then 1.05 times this return (or 21%) would be expected (based on historical data) for the portfolio. Conversely, if the market fell by 20%, the portfolio would be expected to fall by 21%. An index-tracking portfolio should have a beta very close to 1.

Discount
The amount by which the middle-market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Dividend Yield
The annual dividend expressed as a percentage of the share price.

Indexation
Investment in a portfolio of shares and securities the characteristics of which broadly match those of an index.

Information Ratio
A measure of the risk-adjusted return of the portfolio relative to the benchmark index. It is calculated by dividing the portfolio's excess return over its benchmark by the tracking error. The higher the information ratio, the higher the active return of the portfolio relative to the amount of risk taken.

Net Asset Value
Also described as Shareholders' Funds, Net Asset Value is the value of Total Assets less liabilities. Liabilities for this purpose include borrowings and prior charge securities as well as current liabilities.

Net Asset Value per share (NAV)
Net Asset Value divided by the number of shares in issue gives the Net Asset Value per share.

Official List
The list of all securities that have been approved by the UK Listing Authority for trading on financial exchanges in the UK.

Premium
The amount by which the middle-market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

Price-to-Book Ratio
This is the ratio of the market capitalisation of a company to its net assets after deducting total debt. This is a valuation measure and indicates how far the price of a company's shares is from its 'real' asset backing. This measure is often used to help value companies in the financial sector, or where asset values are important.

Price-to-Earnings Ratio
This ratio is calculated by dividing the middle market price per share by the earnings per share. This ratio is a commonly used to measure the relative cheapness of companies.

Price-to-Sales Ratio
This ratio is the proportion of total market capitalisation plus net debt (total debt less current assets) to total revenue. The use of total market capitalisation plus net debt is to allow for the fact that different companies have different debt structures. The ratio's numerator reflects a measure of total capital to 'buy-out' a company at the current share price and to clear all debts. This is compared to the total revenue which would have been 'bought' by doing this. This is a useful valuation measure for non-financial companies, particularly where earnings are negative or at very depressed levels.

Rebalancing
Transactions in investments to re-align a portfolio with the index it is designed to track or changes in the index itself to keep within the portfolio's chosen criteria.

Total Expense Ratio
The total expenses (excluding interest) incurred by the Company expressed as a percentage of average equity shareholders' funds on a monthly basis.

Tracking Error
A measure of how close to its benchmark the performance of a portfolio is likely to be. It is a useful summary statistic for measuring a portfolio's total risk against its benchmark index. In statistical terminology, the tracking error is the expected standard deviation of future portfolio returns against the index. By way of illustration, a tracking error of 2.5% indicates that in 2 out of every 3 years the portfolio's return would be expected to be within 2.5% of the index's return. A tracking error of 1% would indicate that the portfolio's performance is likely to be much closer to that of the index (within 1% in 2 out of 3 years).

Gartmore Fledgling Trust plc

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